OXFORD BIODYNAMICS

INNOVATION SAVING LIVES

OXFORD BIODYNAMICS PLC
ANNUAL REPORT AND ACCOUNTS

For the year ended 30 September 2018

WE ARE A BIOTECHNOLOGY COMPANY WITH A PROPRIETARY BIOMARKER DISCOVERY PLATFORM, *EPISWITCH*™, BASED ON THE LATEST ADVANCES IN REGULATORY GENOME ARCHITECTURE AND ITS LINK TO CLINICAL OUTCOMES AND PATIENT STRATIFICATION.

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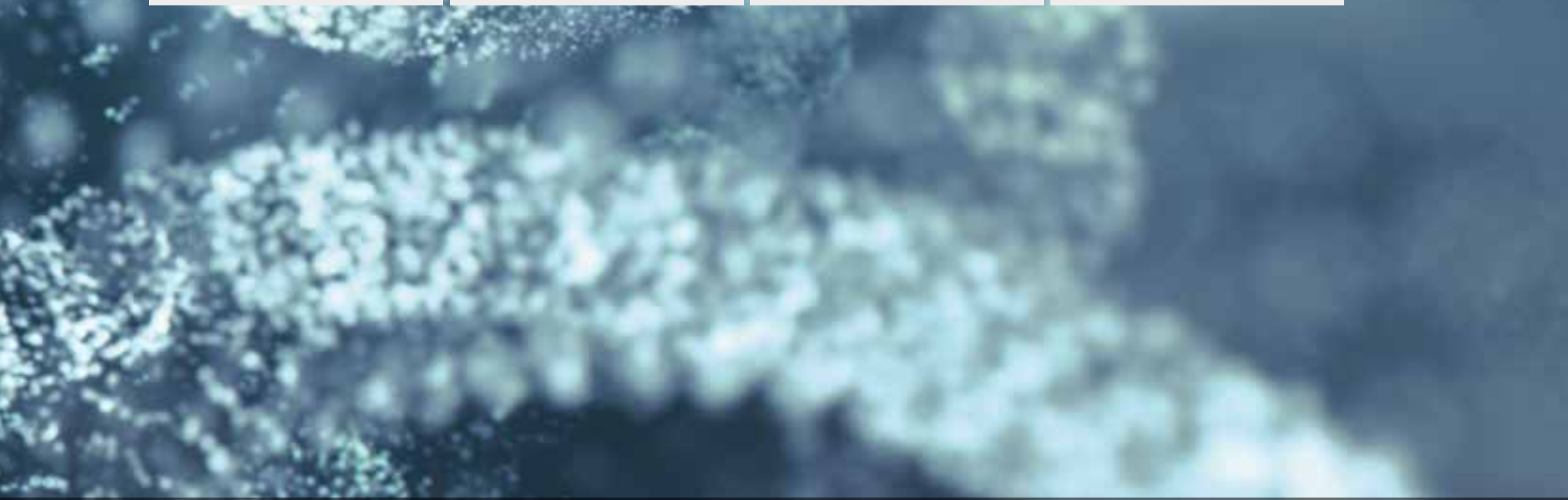
See more online at
www.oxfordbiodynamics.com

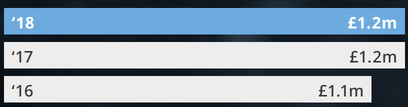


FINANCIAL HIGHLIGHTS

Revenue

£1.2M

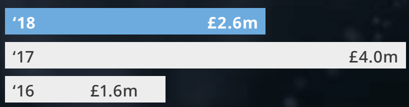
(2017: £1.2m)



Operating loss

£2.6M

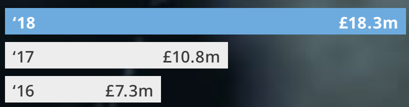
(2017: £4.0m)



Cash

£18.3M

as at 30 September 2018
(2017: £10.8m)



CORPORATE, OPERATIONAL AND RECENT HIGHLIGHTS

- Six revenue-generating research and development projects for commercial customers in diverse fields including immuno-oncology, fibrosis and thyroid cancer.
- Successful completion of Innovate UK grant-funded ALS project, followed by validation in peer-reviewed publication and expressions of commercial interest.
- Announcement of strategic partnership in China with GL Capital Group ('GL'), a leading Chinese Healthcare Investment Group, with GL investing £9.75m and becoming a holder of 5% of the Company.
- Significant progress in applying the *EpiSwitch*™ platform to areas of human and equine fitness, and announcement of a collaboration in the area of sports-related concussion.
- Grant of core patents covering the *EpiSwitch*™ platform technology in the US, Canada and India. Two new patents filed along with extensive exemplification on previously filed patents.

POST-PERIOD END

- Announcement of fifth immuno-oncology ('IO') collaboration, with a well-known US biopharmaceutical company.
- Announcement of collaboration with Casa Sollievo della Sofferenza, a key national biomedical and healthcare institution in Italy, to develop a panel of epigenetic biomarkers for the diagnosis of Autistic Spectrum Disorder.
- Exercise of option over 30% shareholding in commercial partner, Holos Life Sciences Pte Ltd ('Holos').
- Signing of two exclusive licence agreements with Holos, in the fields of human and equine performance and wellness.
- Filing of one further patent, covering the use of the *EpiSwitch*™ platform in detecting disseminating biomarkers in the context of strength and endurance training for fitness and in professional sports.

Cautionary statement

Sections of this annual report, including but not limited to the Directors' report, the Strategic report and the Remuneration report may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of the Company. These have been made by the Directors in good faith using information available up to the date on which they approved this report. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual future financial conditions, business performance, results or developments of the Company to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

OUR BUSINESS: AT A GLANCE

OXFORD BIODYNAMICS' *EPISWITCH*™ IS A PROPRIETARY INDUSTRIAL PLATFORM FOR THE DISCOVERY, EVALUATION, VALIDATION AND MONITORING OF A NOVEL CLASS OF EPIGENETIC BIOMARKERS KNOWN AS 'CHROMOSOME CONFORMATION SIGNATURES' ('CCSs').

CCSs provide a compelling, stable framework from which changes in the regulation of a genome can be analysed, long before the results of these epigenetic changes manifest themselves as obvious abnormalities.

HISTORY

Oxford Biodynamics (OBD) was spun out from Oxford University in 2007 with the aim of translating fundamental scientific advances into a commercialised platform technology and a new generation of biomarkers for cancer and other diseases.

The Company completed its successful initial public offering on AIM in December 2016.

Today, the Company has its offices and a state-of-the-art reference laboratory in Oxford, UK and a further reference laboratory in Penang, Malaysia.

OUR VISION

Our vision is to make a significant impact on health service around the world through the adoption of our biomarker discovery and monitoring platform, *EpiSwitch*™.

We aim to be at the forefront of the personalised medical revolution through using *EpiSwitch*™ biomarkers for patient stratification, advanced disease understanding and new target identification in the context of drug development and patient healthcare.

WHAT MAKES US DIFFERENT

Robust and validated, award-winning technology

Highly experienced management team, with deep technical and commercial expertise

Extensive IP portfolio, protected by worldwide patents

OUR VALUES

Innovative
Saving lives by producing high quality *EpiSwitch*™ biomarkers.

Pioneering
Willing to explore and adapt to new ideas and changes.

Achieving Excellence
Adhering to good working practice and quality procedure compliance. Delivering results of unique value.

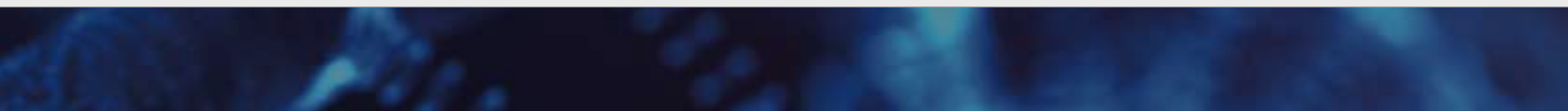
Diverse
Respecting others and encouraging a diverse work environment.

Professional
Maintaining a high standard of work and professionalism.

Leading position within a large and growing biomarker sector

Expanding pipeline of revenue-generating contracts with leading pharmaceutical and biotechnology companies

Opportunity for significant value enhancement through multiple licensing opportunities on a global basis



OUR BUSINESS: IN DETAIL

EPIGENETICS AND CHROMOSOME CONFORMATIONS

When the human genome was sequenced in 2001, one of the biggest surprises was that the proportion of the genome that actually encoded proteins was very small (around 2%), leaving the need to explain why 98% of the genome was 'non-coding'. At the same time, technological advances allowed scientists to visualise the organisation of chromosomes within a nucleus and to discover that chromosomes are not randomly organised, but instead occupy distinct nuclear territories within three-dimensional space (figure 2).

FIGURE 1 A basic view of cellular organisation

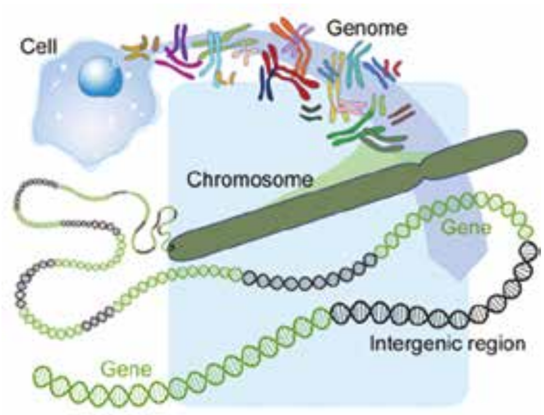
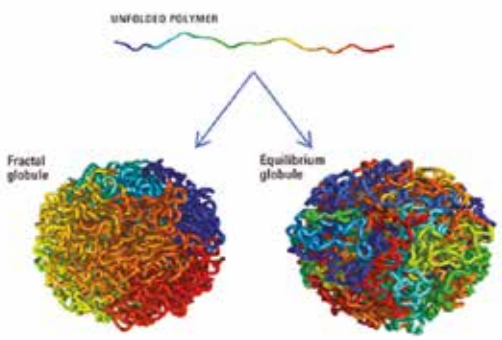


FIGURE 2 Hypothetical organisational states of the genome

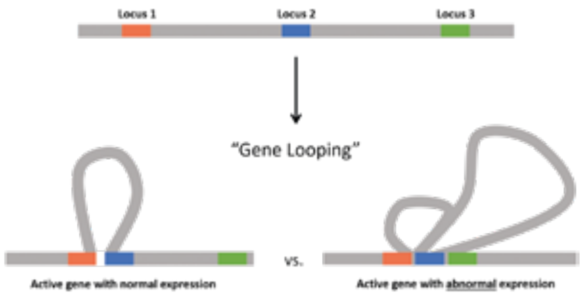


This two-fold recognition (that most of the genome did not encode genes and that the genome itself possessed a high degree of spatial order) led researchers to investigate whether something in addition to the linear genetic code could contribute to biological function: the field of 'epi-genetics' was born.

The dictionary definition of epigenetics is 'a stably heritable phenotype resulting from changes in a chromosome without alterations in the DNA sequence'. What this means is that the way chromosomes are arranged within a cell has an effect on what that cell does, and that this characteristic can be passed on.

The packaging of chromosomal DNA plays a critical role in the epigenetic regulation of the whole genome. It ensures effective storage, access to genetic information and its regulation by the complex protein machinery utilised in gene expression. Known also as 'gene loops', 'long-range chromosomal interactions' and 'chromatin domains', chromosome conformations have been recognised as an essential high-level framework of epigenetic regulation imposed across the whole genome (see figure 3).

FIGURE 3 Chromosome conformations



The higher order, three-dimensional structure of DNA includes chromosome conformations, or 'gene loops' that bring gemonic loci that are distant from each other in linear space into close spatial proximity.

Thousands of peer-reviewed publications have pointed to the potential for using groups of chromosomal interactions (or chromosome conformation signatures, 'CCSs') as biomarkers. In the wider scientific community, we see increasingly broad acceptance of the critical importance of three-dimensional chromatin conformations in integrating external environmental stimuli and cellular responses, to produce the phenotypic effects

[1] Image from ck12.org

[2] Images from Lieberman-Aiden E, van Berkum NL, Williams L, et al, 'Comprehensive mapping of long-range interactions reveals folding principles of the human genome.' Science 2009 Oct 9;326(5950):289-93.

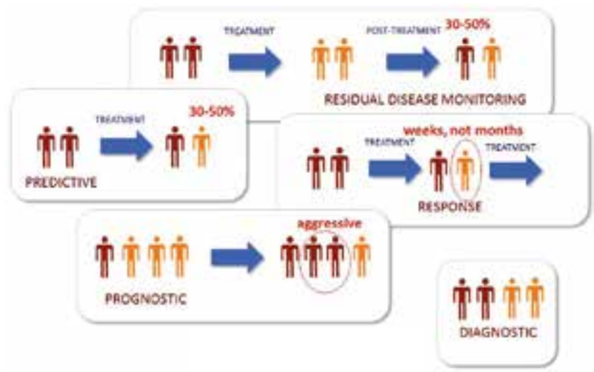
seen in both healthy and diseased states. In the last few years, multiple research studies and reviews have been published in the leading peer-reviewed journals, including Science and Nature, providing evidence of the importance of the links between changes in chromatin structure and cellular function. Among pharmaceutical and biotech R&D groups the awareness of genome architecture, related biomarkers and their value has significantly increased.

Studying this phenomenon involves looking at the functional consequences of alterations in the 3-dimensional structural organisation of the genome. While this is conceptually relatively easy to understand, it is less easy to address experimentally. Existing academic protocols for the detection of CCSs have proved prohibitively costly and slow for commercial exploitation.

OBD's biomarker discovery platform, *EpiSwitch*™ has transformed initial scientific findings into a commercially viable technology. *EpiSwitch*™ uses proprietary pattern recognition bioinformatic algorithms to detect sites on the genome as high probability targets for CCS detection. We use a three-stage approach (see figure 4) to screen, identify, evaluate and validate CCSs, ensuring that the biomarker panels that emerge from this pipeline are biologically vetted and statistically robust to be used in pre-clinical and clinical practice.

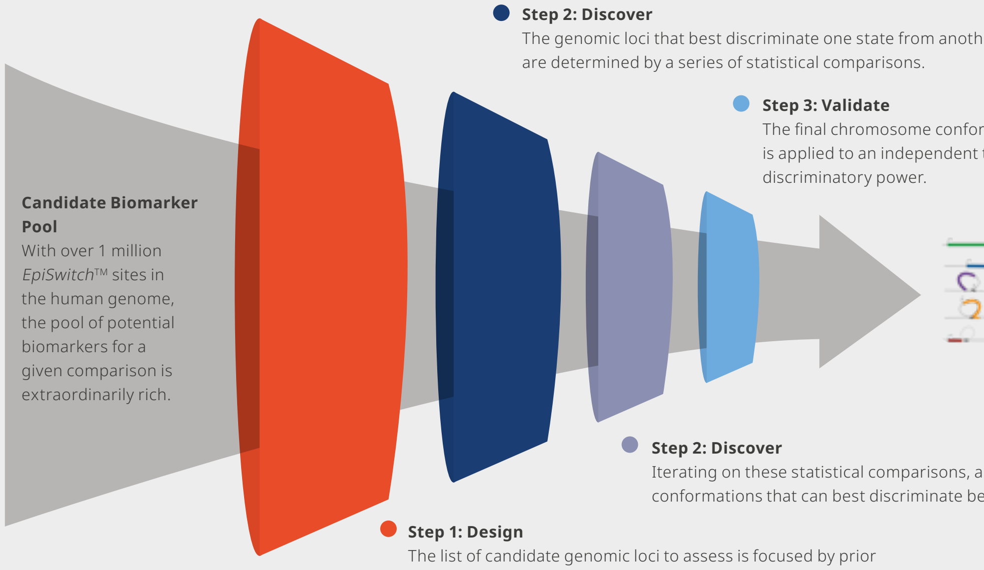
Biomarkers discovered using *EpiSwitch*™ have a number of key applications, providing critical insights into clinical and therapeutic outcomes including prediction for response to treatment, prognosis, disease monitoring, and early symptomatic diagnosis (see figure 5).

FIGURE 5 Key applications of *EpiSwitch*™ biomarkers



You can read in more detail about the science behind *EpiSwitch*™ in a collection of 'White Papers' available on our website, at www.oxfordbiodynamics.com/whitepapers/.

FIGURE 4 Biomarker discovery with *EpiSwitch*™



Candidate Biomarker Pool
With over 1 million *EpiSwitch*™ sites in the human genome, the pool of potential biomarkers for a given comparison is extraordinarily rich.

Step 1: Design
The list of candidate genomic loci to assess is focused by prior biological knowledge, exploratory ideas, or other methods.

Step 2: Discover
The genomic loci that best discriminate one state from another are determined by a series of statistical comparisons.

Step 2: Discover
Iterating on these statistical comparisons, a short list of chromosome conformations that can best discriminate between states is identified.

Step 3: Validate
The final chromosome conformation signature (CCS) is applied to an independent test cohort to determine discriminatory power.

Output
A panel of validated, easy to measure, cost-effective biomarkers that are robust across large patient populations.

CHIEF EXECUTIVE OFFICER'S REVIEW

'It is with great pleasure that we report on another transformative year for Oxford BioDynamics.'

Christian Hoyer Millar, Chief Executive Officer

INTRODUCTION

It is with great pleasure that we report on another transformative year for Oxford BioDynamics. During the year to 30 September 2018 we completed multiple projects for commercial partners in diverse fields and published and presented the results of our work to growing recognition and interest from industry leaders. Improvements in the efficiency and capability of our processes, investment to increase our UK laboratory capacity and expansion of our international commercial infrastructure has allowed us to address growing interest in our *EpiSwitch*™ platform. We also announced our strategic partnership with GL Capital Group ('GL') in China, and significantly strengthened our balance sheet. We have again made solid progress toward our strategic goal: making OBD's *EpiSwitch*™ technology the leading industry standard for epigenetic biomarkers for the pharmaceutical and biotechnology industry.

INTERNATIONAL COMMERCIAL PROGRESS

During the year, the Company announced or completed biomarker discovery projects for several customers, including four of the top 30 global pharmaceutical and biotech companies by revenue[1]. These projects focused on immuno-oncology ('IO'), lung fibrosis, rheumatoid arthritis, and a number of non-clinical applications. Overall, the Company had an increased level of activity on revenue-generating and grant-funded research and development projects during this year compared to last. After the year end, in November 2018, the Company entered into its fifth IO collaboration since 2016, with a major US biopharmaceutical company, and announced a collaboration agreement with Casa Sollievo della Sofferenza, an important Italian research and biomedical institution, to identify *EpiSwitch*™ biomarkers for the blood-based diagnosis of Autism Spectrum Disorder (ASD).

The Company made further progress in protecting and expanding its intellectual property, announcing the grant of key patents covering EpiSwitch™ technology in the US, Canada and India during the year. OBD now has a total of eleven patent families, including two that were filed during the year, and one that was filed shortly after the year end.

INCREASED RANGE OF CLINICAL AND NON-CLINICAL APPLICATIONS FOR *EPISWITCH*™

This year OBD has shown the applicability of the *EpiSwitch*™ platform in a number of new clinical and non-clinical fields. For the first time, the Company reported compelling results in two neurodegenerative diseases. In amyotrophic lateral sclerosis ('ALS', also known as motor neurone disease or Lou Gehrig's disease), the Company successfully concluded its Innovate UK-funded collaboration with the University of Oxford, and the Neurology Clinical Research Institute, Massachusetts General Hospital, Harvard Medical School and reported the discovery of a distinct CCS biomarker that was diagnostic for ALS, demonstrating a highly promising, potential new approach to the diagnosis of this disease. Post-year end, the results of OBD's proprietary research in Huntington's disease ('HD') were presented. In this project, OBD's scientists analysed small volume blood samples from a number of healthy controls and HD patients, and observed discrete and measurable epigenetic changes in a HD-relevant gene locus which could differentiate HD patients from unaffected individuals and importantly, could also differentiate between pre-symptomatic and symptomatic HD patients.

The Company also made progress in the application of *EpiSwitch*™ to two non-clinical fields in contracts with our Singapore-based partner Holos Life Sciences Pte Ltd ('Holos', formerly named EpiFit Pte Ltd). The first results of the EpiFit project (which was announced in January 2017) were shared with Holos at the end of the year. This project involved the identification of biomarkers indicative of an individual's suitability to aerobic or anaerobic training. The Company also worked with Holos on a similar project seeking to discover equivalent biomarkers to those identified in the EpiFit project, but in thoroughbred horses. These non-clinical (and non-human) applications of *EpiSwitch*™ are potentially valuable opportunities, in markets in which the Group has limited experience. To that end, after the year end, the Group has exercised a pre-existing option to acquire, for a nominal amount, a 30% shareholding in Holos, and also participated in an interim fundraising by Holos, investing US$540,000 in that entity. Holos has also exercised options to enter into exclusive licensing agreements with the Group in both human and equine fitness, in both cases after the year end. These licences offer the Group a combination of upfront and milestone fees and sales-based royalties. In January 2018 the Company also announced a collaboration with Holos to develop non-invasive epigenetic biomarkers associated with sports-related concussions, and research on this project will begin as samples become available during 2019.

SCIENTIFIC AND TECHNICAL VALIDATION

The latest results of OBD's biomarker development and validation activity have been published in peer-reviewed publications such as the Journal of Translational Medicine (validation of predictive biomarkers for treatment in Rheumatoid Arthritis, co-authored with Pfizer), The Lancet's EBioMedicine (non-invasive diagnostic for ALS, co-authored with Massachusetts General Hospital, Department of Neurology, and Nuffield Department of Clinical Neurosciences, John Radcliffe Hospital, Oxford), and, after year end, Faculty of 1000 Research (evidence for the first prognostic biomarkers for progression of Huntington's disease) and Surgery (evidence that an *EpiSwitch*™ assay shows high sensitivity in detecting thyroid cancer). OBD has also contributed a chapter to a forthcoming book, 'Handbook of Biomarkers and Personalized Medicine', to be published soon.

OBD team members have presented results in talks at a number of prestigious conferences including the Foundation of NIH Cancer Biomarkers Steering Committee Annual Symposium (Washington DC), the American Society of Hematology (ASH) Summit on Emerging Immunotherapies for Hematologic Diseases (Washington DC), Molecular Medicine Tri-Conference on Immuno-oncology Biomarkers and Companion Diagnostics (San Francisco, CA), 28th International Symposium on ALS/MND (Boston, MA), 6th World CNS Summit (Boston, MA), 2017 Annual Northeast ALS Consortium (NEALS) Meeting (Clearwater, FL), Diabetes Asia 2017 (Kuala Lumpur, Malaysia), and the Cantor Fitzgerald Global Healthcare Conference (New York, NY).

STRATEGIC PARTNERSHIP WITH GL CAPITAL GROUP

In August 2018, the Group announced its strategic partnership with GL, a Greater China healthcare-focused investment management group with over $1 billion of assets under management. GL will apply its extensive industry network and local knowledge to identify, screen and recommend suitable business partners in China. The Chinese healthcare market is growing rapidly and represents an excellent opportunity for the Group to deploy its *EpiSwitch*™ technology with new business partners. As I remarked at the time: "We are delighted to announce this agreement with GL Capital Group, which builds on our strategy to increase our global reach. We identified Asia as a core focus for international expansion and this co-operation agreement will allow us to address the many opportunities that we see in this region. We have been impressed by the depth of scientific and commercial understanding GL have shown in our interactions to date, and we are convinced that they are the right strategic partner as we begin to engage with the important Chinese market."

STRENGTHENED BALANCE SHEET

This year the Company has raised over £10 million from share issues, most of which came from the subscription in August 2018 by GL Capital Group for 4,688,000 new shares (representing approximately 5% of the Company) at 208p per share, raising £9.75 million. The increased cash balance greatly strengthened the Group's balance sheet whilst minimising dilution for existing shareholders, at a time of some uncertainty in the capital markets. Throughout the year, the Group has exercised close control on spending: net cash outflow on operating activities was below £2 million, and with £18.3 million in cash at 30 September 2018, the Board is satisfied that the Group is well resourced to make continued progress over the short-to-medium term.

INCREASED CAPACITY AND EFFICIENCY TO MEET DEMAND

The year ended 30 September 2018 was a busy one for OBD's laboratories. As well as increased levels of activity on revenue-generating and in-house projects, the Company's scientists made significant improvements to the capacity and efficiency of processes, including through more use of robotics and increases in data analysis capability. The Company expanded its facilities in Oxford, UK, to add laboratory, office and meeting space, this work being completed shortly after the year end. Also, the Group's reference laboratory in Penang, Malaysia obtained the ISO 13485 certification (which is also held by the UK lab).

SUMMARY AND OUTLOOK

The year to 30 September 2018 has been one of both consolidation and planning for further growth. The Company has strengthened its balance sheet, broadened its intellectual property portfolio, improved internal processes and expanded its research facilities. The results of OBD's research projects have been exceptional and crucially show real potential to improve outcomes for patients in an increasingly wide range of indications. Last year, we reported a growing acceptance in industry of the importance of epigenetic biomarkers and the high quality of results we can provide with *EpiSwitch*™, and this trend has continued this year. As the Group moves into 2019, the focus is on the expansion of its commercial and business development capacity (including in the US and China), and continued progress in the wide range of research projects already underway.

Christian Hoyer Millar
Chief Executive Officer
Oxford BioDynamics Plc

10 December 2018

[1] source: Pharm Exec's Top 50 Companies, 2018

MARKET OPPORTUNITY

$2.5BN
Cost to bring a drug to market

90%
of drug programmes failing during discovery stage

$6BN
Approximate value of global outsourced biomarkers and companion diagnostics markets

OVERVIEW

Oxford BioDynamics plc ('OBD') is a revenue-generating biotechnology company focused on the discovery and development of biomarkers for use in patient stratification within the pharmaceutical and biotechnology industry. The Company's proprietary technology platform, *EpiSwitch*™, aims to accelerate the drug discovery and development process, improve the success rate of therapeutic product development and take advantage of the increasing importance of personalised medicine. To date, the Company has entered into multiple contracts with six of the top ten global pharmaceutical companies (by 2017 revenue)[1], demonstrating the momentum the Company is gaining and highlighting the potential value of *EpiSwitch*™ as an enabling technology platform.

MARKET OPPORTUNITY

The primary market in which OBD operates is the outsourced complementary and companion diagnostics and biomarker discovery market. The growing importance of personalised medicine has led to the increasing use of companion diagnostics by pharmaceutical and biotechnology companies during all stages of the drug discovery and development process, including target identification and better disease understanding. As a core component of companion diagnostics, biomarkers enable pharmaceutical and biotechnology companies to answer key questions regarding patient groups, which can ultimately lead to improved R&D and clinical development productivity.

Estimates suggest that it typically takes 9–12 years and over US$2.5 billion to bring a drug to market, with perhaps 60% of this cost incurred on phase III clinical trials, and over 90% of drug programmes failing during the discovery stage. Several factors contribute to these costs and failure rates, including increasing complexity of drug development, rising costs of healthcare, pricing pressure driven by regulatory reforms and requirements for targeted therapeutics with improved patient outcomes if drugs are to be approved by regulators. This context of high costs and failure rates continues to lead pharmaceutical and biotechnology companies to seek technologies that enable more informed decisions to be made, more quickly.

The Directors estimate that the global market for outsourced biomarkers and companion diagnostics is likely to be worth approximately US$6 billion per annum, with a compound annual growth rate ('CAGR') of around 19 per cent. This is largely as a result of the demand for biomarker use during the drug discovery and development process (for example to assist in the optimal stratification of patient cohorts for clinical trials), covering not only oncology, but also other pathologies including autoimmune disorders, neurodegenerative and age-related diseases.

In response to the increasing demand for biomarkers during multiple stages of drug discovery and development, the pharmaceutical and biotechnology industry has sought to use outsourced capability for the discovery of biomarkers due to the considerable time, cost and expertise required in this discovery process. The Directors expect that this trend for outsourcing the discovery of biomarkers is likely to continue.

As the integration of companion diagnostics within the drug discovery and development process continues, the Directors believe the development of therapeutics is set to become increasingly reliant upon biomarkers and those discovery platforms, such as *EpiSwitch*™, which can provide robust biomarker signatures for multiple stages of the R&D and drug development process.

As noted in the Chief Executive Officer's review, the Board also considers that there is potential for considerable value in the discovery and exploitation of biomarkers for use in non-clinical applications. The market for these applications is relatively undeveloped, and at this stage the Directors have not estimated its likely size.

OUR BUSINESS MODEL

Currently, the Company generates revenue through four main sources:

- service fees from conducting commercial biomarker projects with major pharmaceutical and biotechnology companies;
- service fees from conducting collaborative biomarker projects with multiple commercial partners and research institutes;
- service fees and upfront signing fees from licence agreements for the use of biomarkers in clinical diagnostics in Asia; and
- grant income from Innovate UK.

The terms of the Company's contracts with its customers remain confidential due to commercial sensitivity regarding drug trials, however the value of each contract has typically been up to US$1m, with amounts payable to the Company in accordance with the respective terms of each contract, usually around the achievement of agreed contract milestones.

The Directors believe that the opportunity for value creation is considerable, as the granting of any licences of the Company's technology to major pharmaceutical or biotechnology companies are expected materially to increase revenue without significant increases in the Company's cost base.

To date, the Company has entered into confidential contracts with six of the top ten global pharmaceutical companies (by revenue), and thirteen of the top thirty[1].

Over the medium to long term, the Directors aim to transition the Company's revenue model to one that is predominantly based upon licence revenue, whereby the Company aims to generate upfront and milestone payments and future royalties from licensing the *EpiSwitch*™ technology platform connected to a particular drug to multiple participants within the pharmaceutical and biotechnology industry.

[1] source: Pharm Exec's Top 50 Companies, 2018

OUR KEY STRENGTHS

$28BN

Approximate value of global biomarkers market

13.8%

Compound annual growth rate

OBD's business is based on several key areas of strength including:

Proprietary technology platform

The Directors believe that *EpiSwitch*™ is the only proprietary technology platform for the use of Chromosome Conformation Signature ('CCS') based biomarkers that meets industry standards and quality requirements, producing binary results at a forensic level of sensitivity, through non-invasive testing (liquid biopsy), in a matter of hours, and on an industrial scale. Through the application of the Senior Management Team's expertise, the Company has sought to protect its technology through extensive 'know-how', patents and patent applications covering multiple jurisdictions.

Growing diverse customer base and collaborative research network

The Company has established an extensive customer base within the pharmaceutical and biotechnology industry, including leading US and Swiss pharmaceutical companies, which the Directors believe are seeking to accelerate the development of novel biomarkers to be used on an exclusive, licensed basis. The Company is also collaborating with several leading research institutes worldwide, which are utilising its *EpiSwitch*™ technology for the purposes of research into new biomarkers and companion diagnostic tests. In addition, the Company has contracted with customers such as Holos Life Sciences in non-therapeutic fields, with a focus on the application of epigenetic biomarkers and stratifications in well-being and fitness training in the athletics and equine industries.

Niche position within a large, growing market with strong macro drivers

The global market for biomarkers is estimated to be worth approximately US$28 billion per annum, with a CAGR estimated at 13.8% for the period 2016-2021 (Source: Biomarkers Market – Global Forecast to 2021 – Markets and Markets, published February 2017). The overall biomarkers market can be split by application to include diagnostics, drug discovery and development, personalised medicine and disease risk assessment: OBD's *EpiSwitch*™ technology offers broad applicability to each of these subsectors. To date, the Company has primarily operated within the outsourced biomarker and companion diagnostic market, which as subsectors of the overall biomarker market, the Directors estimate to be likely to be worth in aggregate approximately US$14 billion in the medium term. As a core component of companion diagnostics, it is anticipated that significant opportunities exist for biomarker discovery platforms such as *EpiSwitch*™, which can provide novel biomarker signatures to support all stages of the drug discovery and development process, thereby improving trial success rates and the personalisation of medicine to address the unmet needs of patients.

Differentiated business model with significant opportunities for value enhancement

The Company is revenue generating and incurs only relatively modest levels of expenditure in pursuit of its strategic aims and objectives. By collaborating with pharmaceutical and biotechnology companies and research institutes, the Company is able to leverage customer-funded development projects alongside its own proprietary work, which helps maintain a manageable cost base, while providing future opportunities for significant licence and royalty income through multiple licensing of its *EpiSwitch*™ technology.

Highly experienced management team

Blending experienced leadership with considerable scientific and technological expertise, the Senior Management Team has the complementary skills and experience to continue to enhance the *EpiSwitch*™ technology platform and exploit the commercial opportunity it affords through future potential licensing arrangements.

OUR BUSINESS STRATEGY, OBJECTIVES AND KEY PERFORMANCE INDICATORS

BUSINESS STRATEGY

The Directors believe that the Company's EpiSwitch™ platform provides OBD with a leading position in the field of practical applications, utilising non-invasive liquid biopsies, for epigenetic biomarker development for the monitoring of regulatory genome architecture. The Board believes this affords the Company the opportunity to achieve our strategic aim to make EpiSwitch™ the leading standard in this field for the pharmaceutical and biotechnology industry.

The Directors' strategy is to capitalise on the growth in the outsourced biomarker and companion diagnostics market, which continues to be driven by a number of key trends, namely:

- The growing appreciation of human biological complexity and the acknowledgement of the importance of epigenetic personalised medicine and biomarker-based patient stratification modalities, including *EpiSwitch*™, to de-risk various stages of the drug discovery and development process.
- The significant cost, time and experience needed for biomarker discovery and development solutions available primarily through third party outsourced providers.
- The need for pharmaceutical and biotechnology companies to access biomarker discovery platforms that offer rapid and accurate validation solutions to trial studies at high risk of failure.

BUSINESS OBJECTIVES

The Company has business objectives designed to meet its strategic aim, which fall into three main areas:

- Expansion and extension of the current customer and collaborator base. Through the continued development of contracts with pharmaceutical, biotechnology and other research partners, the Company can leverage third party research and development resources, while retaining control and ownership of its intellectual property portfolio.
- Expansion of its own proprietary biomarker research. By accelerating its own biomarker discovery programmes, the Company can utilise validated biomarkers to help shape, influence and expand biomarker-based clinical trials with commercial partners, leading to more successful trial outcomes.
- Licensing of core technology. Through the licensing of the Company's technology platform, *EpiSwitch*™, which can benefit large pharmaceutical and biotechnology companies in their therapeutic development programmes, the enrichment of their clinical trials, and the development of companion diagnostics.

Through the execution of its strategy, the Directors believe the Company can capitalise on significant commercialisation opportunities as it seeks to transition its revenue model towards licence and milestone payments and future royalties associated with pharmaceutical revenues.

KEY PERFORMANCE INDICATORS

The Directors use a range of measures to monitor performance, with the main financial key performance indicators ('KPIs') being revenue, operating loss before non-recurring items, net cash used in operating activities, overall cash resources, and adjusted loss per share, as noted in the Financial review on page 15.

The main non-financial KPIs monitored by the Group include: the number of contracts agreed with customers; the number and size of customers contracted with; the quality of results achieved in biomarker discovery and development projects; the time taken for individual project phases; the number of high quality presentations and publications of the Group's research; and the extent of the protection of the Group's intellectual property afforded by its patent and trademark portfolio.

RISK MANAGEMENT AND PRINCIPAL RISKS

The risk management strategy is a key responsibility of the Board of Directors. The Group's Senior Management Team meet at least twice a month to identify areas of risk and to communicate with the Board as appropriate. The Group's Quality Management System includes extensive risk assessment, planning and reporting as well as the maintenance of detailed risk registers covering its ISO-certified operations. A detailed financial reporting and procedures framework has been in place since 2017, following the December 2016 IPO. The Board ensures that all key risks are understood and appropriately managed in the light of the Group's strategy and objectives and is satisfied that the Group's risk management and internal control systems are adequate. At this stage of the Company's development, the Board does not consider it to be appropriate to establish an internal audit function, but this is kept under review, primarily by the Audit Committee in consultation with the Independent Auditor.

The table below outlines the principal risks faced by the Group, how those risks are mitigated, and an indication of Directors' estimate of the change in significance of the relevant risk over the period since the last annual report.

Principal risks	How these risks are managed or mitigated	Change in risk profile in the last 12 months*
The Group is in its early stage of development with a relatively limited operating history and track record of revenue generation – whilst OBD is revenue generating through a number of contracts, it has been (and is expected to remain) loss making over the near to medium term as it continues to develop the commercialisation opportunities for its *EpiSwitch*™ platform. There is a risk that the Group's current contracts will not lead to substantial licence or royalty payments beyond the contracted fee income under those contracts or that the Group will be unable to secure new licensing or revenue contracts.	The Group has obtained sufficient cash resources from investors – including significant additional resources in the year to 30 September 2018 – and revenue-generating projects to fund its development plans. The Group's strategic partnership for China opens up the potential to expand commercialisation of its *EpiSwitch*™ platform in an extremely important market that was previously not addressed by the Group's activities. The Group has recruited a number of senior employees to engage in business development activity and aims to increase this resource further in the short term.	↓
The Group operates in a complex area of biotechnology which can be subject to considerable levels of uncertainty – rapid scientific and technological change within the pharmaceutical and biotechnology industry could lead to other market participants creating approaches, products and services equivalent or superior to the CCS-based biomarker approaches offered by the Company, which could adversely affect the success of its technology.	The Group's *EpiSwitch*™ platform undergoes regular review and improvement. Whilst entirely new modalities of biomarker development may arise, these are not currently known and would take time to develop. The Directors continue to believe that *EpiSwitch*™ is the only CCS-based biomarker technology that meets industry standards on sensitivity, cost and evidence of validated stratifications.	↔
The Group remains largely reliant on the pharmaceutical and biotechnology industry – Whilst the Group has broadened its customer base during the year (as outlined in 'Trends and factors' above), a significant portion of its revenue is generated through collaborations with pharmaceutical and biotechnology companies. In the event that the pharmaceutical and biotechnology industry reduces its expenditure on drug development and discovery, or can meet its requirements for biomarker discovery through internal capability and resources, the Group's operations or financial results could be adversely impacted.	The Group seeks to mitigate this risk by contracting with a large number of major pharmaceutical and biotech customers, as outlined in the strategic overview on page 3. The Group has sought further to mitigate this risk through the initiation of its strategic partnership for China, which carries the possibility of contracting with major potential new customers. The Group has also broadened its customer base during the last two years to include non-pharma / biotech customers, for example through its contracts with Holos Life Sciences, reflecting the increasing awareness of the importance of epigenetics in non-clinical fields, as outlined in the Chief Executive Officer's report on page 6.	↓

* Directors' estimate

Change in risk key:

Reduced Increased Same

Principal risks	How these risks are managed or mitigated	Change in risk profile in the last 12 months*
The Group relies on key suppliers – certain stages of the Company's proprietary processes involve products or services currently sourced from single third party suppliers.	The Group seeks to reduce this risk by bringing critical steps in the process 'in-house' and using multiple suppliers and membership of purchasing groups where possible. This approach has continued to be pursued over the year to 30 September, in part through the expansion of the Company's UK laboratory facilities.	Reduced
The Group expects to face competition from other biotechnology companies, which could adversely impact the rate and level of commercialisation of its technology if it fails to compete effectively. The Group's competitors within the biomarker discovery industry may have superior R&D capabilities or better access to the leading pharmaceutical and biotechnology companies who require novel biomarkers. Further, a number of other biomarker discovery companies have greater financial, technical and human capital, which can be deployed in any attempts to gain a superior market position.	The Group has secured and continues to support wide, early intellectual property protection in what is a relatively nascent field. In the development of its *EpiSwitch*™ platform technology, the Group has also acquired significant know-how, which would be difficult and time-consuming to replicate.	Same
The Group depends upon a small number of key personnel – in line with groups of a similar size, the Group is managed by a limited number of key personnel, including the Executive Directors and the Senior Management Team, who have significant experience within the Group and the sectors it operates in, and who could be difficult to replace.	The Board has performed a succession planning exercise to determine the risks posed to the Group by the potential loss of individual team members. That exercise identified potential internal successors where these are in post, and specific actions, including training to be undertaken, to reduce the potential impact of loss of key personnel. The Group has previously sought to mitigate this risk by expanding its Senior Management Team, and this continued to some extent during the period, with previously recruited staff now more embedded in their roles. Executive and employee remuneration plans, incorporating long-term incentives, are designed to attract and retain staff with appropriate skills. A limited number of 'key man' insurance policies are in place.	Reduced
The Company may incur significant costs as a result of intellectual property disputes – the Company's ability to compete depends in part, upon the successful protection of its intellectual property. Third parties may infringe upon or otherwise challenge the Company's intellectual property, release confidential information about the Company's intellectual property or claim technology which is registered to the Company.	The Company seeks to protect its leading intellectual property position through 1) the strategic filing of worldwide patent applications where permissible, 2) strict protection of the know-how required for *EpiSwitch*™, 3) A sustainable lead in offering a technical solution of quality superior to any late competitor, 4) robust confidentiality obligations on its employees, collaborators, subcontractors and licensees in order to protect the Company from the release of information relating to its know-how.	Increased (because of the announcements of patent grants during the period)

* Directors' estimate

RISK MANAGEMENT AND PRINCIPAL RISKS CONTINUED

Change in risk key:

Reduced Increased Same

Principal risks	How these risks are managed or mitigated	Change in risk profile in the last 12 months*
Foreign exchange rate fluctuations may adversely affect the Group's earnings, financial condition, results or future operations – a significant proportion of revenues of the business are denominated in US dollars and the majority of expenditure is in UK pounds sterling, US dollars or Malaysian ringgits. Fluctuations in exchange rates between these currencies could have a material impact on the Group's earnings, financial condition, results or future operations, which are required to be reported in UK pounds sterling.	The Group plans what balances to retain in given currencies. It is able to use US dollars received from customers to pay liabilities denominated in US dollars. The Group does not engage in foreign currency trading or speculation.	Same
The Group may suffer risks and uncertainties as the UK plans to leave the EU – as the Group's main customers are predominantly based outside of the EU, and the majority of the Group's expenditure originates in the UK the Directors do not expect that Brexit will have a material impact on the future performance and position of the business. The main risks to the Group are considered to be significant exchange rate fluctuations and difficulties in sourcing laboratory consumables from those of the Company's suppliers (who are mainly UK-based), that in turn rely on EU suppliers.	The Directors will continue to monitor developments in the period before and immediately after 29 March 2019.	Increased (because of uncertainty around Brexit at time of approval)

* Directors' estimate

FINANCIAL REVIEW

£1.19M Revenue

£2.6M Operating Loss

£18.3M Cash

OVERVIEW

During the year ended 30 September 2018, the Company continued to focus on developing contracts with global pharmaceutical and biotechnology companies and other commercial partners, investing in internal proprietary R&D projects, and strengthening its intellectual property portfolio. In August 2018, the Company also entered into a strategic partnership in China with GL Capital Group, raising approximately £9.75 million from the issue of 4,688,000 new ordinary shares to GL.

FINANCIAL PERFORMANCE

Revenue in the year ended 30 September 2018 was £1.19m (2017: £1.18m), comprising services fees received for commercial biomarker projects with pharmaceutical, biotechnology and other commercial companies, and services fees generated from collaborations with research institutions. In the prior year, revenue also included services and licence fees from agreements for the use of biomarkers in clinical diagnostics in Asia.

Operating expenses (excluding share option charges and, in the prior year, IPO costs) were £3.80m in the year ended 30 September 2018 (2017: £3.55m). Of the £0.25m increase in these operating expenses, £0.29m resulted from increased research and development activity, £0.14m was attributable to staff costs, in addition there was a £0.27m reduction in general and other admin costs, and approximately £0.09m in increased depreciation. This measure of operating expenses is quoted because it provides a better indicator of the costs of the Group's continuing operations. IPO costs in the prior year were one-off in nature and share option charges are non-cash expenses that do not necessarily correlate with the Group's underlying cost base. Both share option charges and IPO-related costs are shown in the consolidated income statement on page 44.

Other operating income in the year of £0.20m (2017: £0.25m) mainly comprised grant income from Innovate UK, supporting the Group's ALS biomarker research and development programme.

Operating loss for the Group was £2.60m (2017: £4.00m, including IPO-related costs of £1.49m).

Financial income of £0.18m related to interest receivable and foreign exchange gains (2017: £0.09m comprised mainly interest receivable). Finance costs of £0.12m in the prior year related primarily to foreign exchange losses.

The taxation credit of £0.47m in the year (2017: £0.23m) represents tax relief on research and development expenditure during the period. The Group has not recognised any deferred tax assets in respect of trading losses arising in the current or prior financial periods.

Net loss for the year was £1.95m (2017: £3.80m). Loss per share was 2.2 pence (2017: 4.5 pence) and adjusted loss per share was 2.2 pence (2017: 2.7 pence, excluding one-off IPO costs of £1.49m).

FINANCIAL POSITION

Cash and cash equivalents at 30 September 2018 totalled £18.3m (2017: £10.8m), reflecting the net cash proceeds of £10.0m raised from share issues during the year.

Total assets at 30 September 2018 were £20.94m (2017: £12.68m), reflecting the increased cash balance, investment in tangible and intangible fixed assets and modest increases in total debtors and inventory.

Total liabilities again decreased slightly to £0.89m at 30 September 2018 (2017: £1.09m) driven mainly by lower deferred income balances than in the prior year.

CASH FLOW

The Group has continued to exercise close control over cash expenditure during the year. Net cash used in operating activities for the year ended 30 September 2018 was £1.94m (2017: £1.53m). Net cash used in investing activities was £0.68m (2017: £0.32m) mainly reflecting increased expenditure on intangible fixed assets, and net cash generated by financing activities was £10.0m (2017: £5.4m). Overall there was a net cash increase for the year ended 30 September 2018 of £7.48m (2017: £3.51m) including exchange gains on opening non-GBP denominated cash and cash equivalents of £0.07m (2017: loss of £0.04m).

CORPORATE RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to maintaining the highest standards of corporate social responsibility in its business activities. The Group aims to be at the forefront of the personalised medical revolution by using *EpiSwitch*™ biomarkers for disease detection, prognostic testing and screening for drug responses in patient healthcare. The Group aspires to high standards of practice through a process of continual improvement and the adoption of international codes and standards where practicable. To meet this commitment, the Group has implemented, and continues to review and update, management systems in its operations that accord with the requirements of its corporate social responsibility standards, and strives to:

- comply with all applicable laws and regulations, wherever the Group operates;
- achieve and comply with relevant quality and people management standards;
- consult with and respond to the concerns of our stakeholders;
- work towards realising the Group's vision and strategic aim; and
- behave with honesty and integrity in all the Group's activities and relationships with others and reject bribery and corruption in all its forms.

Human rights

The Group aims to conduct its business with integrity, respecting the different cultures and the dignity and rights of individuals in the countries where it operates, and to:

- Create a professional, diverse work environment, free of harassment and bullying, where everyone is treated with dignity and respect;
- Identify, assess and manage human rights risks within its sphere of influence and activities, working firstly to avoid or mitigate them, and then seek to remedy any actual or potential impacts;
- Ensure that appropriate mechanisms are in place for those affected by its operations to raise grievances; and
- Respect and support internationally recognised human rights standards wherever the Group operates and seek to ensure non-complicity in human rights abuses.

Community

The Group's aim is that the communities in which it operates should benefit directly from its presence through the wealth and jobs created, and the investment of its time and money in the community. In pursuit of this aim, the Group seeks to:

- Assist in local community development activities where it operates, in consultation with local government, the public and other stakeholders; and
- Respect the rights of indigenous peoples in all countries in which it operates.

Customers, suppliers and shareholders

The Group is committed to:

- Providing high quality, consistent, accessible and reliable services to its customers;
- Ensuring that contractors and suppliers are aware of, and where necessary work with it to comply with, its business principles, policies and standards; and
- Conducting its operations in accordance with the principles of good corporate governance, and providing timely, regular and reliable information on the business to all of its shareholders.

Diversity

The Directors recognise the benefits of diversity in the workforce and, whilst all appointments are made based on candidates' suitability for the role concerned, the Directors note their experience that diversity has positively supported the strength and success of the business. The Board remains focused on achieving the right level of diversity whether related to ethnicity, gender, creed or culture, at all levels of the Group.

Health and Safety

The Directors are committed to ensuring the highest standards of health and safety, both for employees and for the communities within which the Group operates. Alexandre Akoulitchev is the Director with overall responsibility for health and safety matters.

The Group meets legal requirements aimed at providing a healthy and secure working environment to all employees. The Group's successful health and safety management involves regular review of its health and safety policy and integrating sound principles and practice into its day-to-day operating procedures and quality management arrangements. This requires the collaborative effort of all employees, who are positively encouraged to be involved in consultation and communication on health and safety matters that affect their work.

Environment

The Group does not operate within a highly regulated environment; however, it does hold all of the licences necessary to operate its business, including a Human Tissue Authority licence for the storage of material from the human body (in the form of blood samples). The Group also maintains uniform levels of quality control and quality assurance standards throughout its reference facilities and laboratories, through the application of its quality management systems as demonstrated by its meeting the requirements of international standard ISO 13485.

The Group:

- is fully committed to minimising the impact that running its business has on the environment and it encourages its clients, suppliers and other stakeholders to do the same;
- is aware that its business activities result in various environmental impacts and complies with all relevant legislative, regulatory and other environmental requirements in order to act in a socially responsible manner; and
- strives continuously to improve its environmental performance.

The Strategic report, comprising pages 6 to 17, has been approved by the Board and is signed by order of the Board by:

Christian Hoyer Millar
Chief Executive Officer
10 December 2018

Registered office:
26 Beaumont Street
Oxford
OX1 2NP

Registered number:
06227084

BOARD OF DIRECTORS

DAVID WILLIAMS

Non-Executive Chairman

David has been involved in the City for 45 years, during which time he has been chairman of a significant number of companies, including Waste Recycling Group and Entertainment One plc (LSE: ETO). He currently sits on the boards of Breedon Group plc (AIM: BREE) and Shearwater Group plc (AIM: SWG) and serves as chairman of the Nomination Committee and is a member of both the Audit and Remuneration Committees. David was appointed to the Board on 4 October 2016.

CHRISTIAN HOYER MILLAR

Chief Executive Officer

Christian read Politics, Philosophy and Economics at Lincoln College, Oxford. His career started at the Boston Consulting Group, where he worked both in Europe and in the US. He then moved to the UK Holding Company, a subsidiary of the German/Dutch conglomerate Hoogovens/Hoechst, as a director of two of their subsidiaries in the UK, winning the Queen's award for Exports in one of those subsidiaries. He then became vice president of Fox Pitt Kelton, where he worked on the mergers and acquisitions of US regional banks. Subsequently, Christian worked in venture capital, notably in conjunction with Ensign Trust PLC, owned by the Merchant Navy Pension Fund. Christian co-founded Oxford BioDynamics in 2007 with Dr Alexandre Akoulitchev and Dr Aroul Ramadass. Christian is a non-executive director of both Chronos Therapeutics Limited and Sibelius Limited. Christian was appointed to the Board on 25 April 2007 and is also a member of the Nomination Committee.

DR ALEXANDRE (SASHA) AKOULITCHEV

Chief Scientific Officer

Sasha read Mathematics, Physics, Chemistry, Biochemistry and Biophysics at Moscow Institute of Physics and Technology. In 1989 he was selected by the George Soros Foundation for the Oxford Scholarship, associated with St. Antony's College, along with twenty top Soviet graduate students from the USSR. He obtained his PhD in cell biology from University College, London (with the research based at the Imperial Cancer Research Fund). He spent six years at the Robert Wood Johnson Medical School-UMDNJ, NJ, as a research assistant funded by the Howard Hughes Medical Institute. Upon his return to England, he established his research laboratory at the Sir William Dunn School of Pathology, University of Oxford. He was a University Academic Fellow (Research Council UK) and a Senior Fellow of Exeter College, sponsored by Cancer Research UK, The Wellcome Trust, The Medical Research Council. Sasha is also a Fellow of the Royal Society of Medicine. He is currently a non-executive director of Sibelius Limited. Sasha was appointed to the Board on 8 June 2007.

PAUL STOCKDALE

Chief Financial Officer

Paul joined the Company in September 2017 from e-Therapeutics plc, where he held the position of Financial Controller from 2012. Paul is a Chartered Accountant and was a Senior Manager at Deloitte, where he worked from 1996 until 2004. Following this, he worked in finance and operations management in the charitable and automotive sectors. He read Natural Sciences at St John's College, University of Cambridge.

ALISON KIBBLE

Independent Non-Executive Director

Alison read Biochemistry at New College, Oxford. Her career started as a product manager of R&D Systems Europe Limited in 1992, after which she moved on to become general manager of Quantum Appligene and a consultant to Actigen Limited. In 2000, Alison became the sales director of eLabs Europe and in 2001 became the chief executive officer of Molecular Sensing plc. She transitioned Molecular Sensing plc from the R&D phase through project development to launch of their first commercial product, and was instrumental in technology transfer and eventual licence of the technology to Roche, before sale of the company to Osmetech plc. In 2005, Alison was recruited as the chief executive officer of Femeda Ltd. Through her company, Lobes Ltd, she acted as a board advisor and non-executive director for a number of companies, ranging from start-ups to more established businesses. She specialises in commercialisation strategies and fund-raising. Alison formerly represented Oxford University on the Board of Directors for the Company. Alison was appointed to the Board on 7 December 2007 and serves as the Chairman of both the Audit and Remuneration Committees. She is also a member of the Nomination Committee.

STEPHEN DIGGLE

Non-Executive Director

Stephen is the founder and Chief Executive Officer of Vulpes Investment Management (a significant shareholder in the Company), and co-founder and former managing partner of Artradis Fund Management, one of the largest hedge fund groups in Asia. Stephen has been involved in equity capital markets for nearly 30 years, leading trading teams across a number of institutions including Salomon Brothers and Lehman Brothers, and has considerable experience investing in and supporting life science businesses through the Vulpes Life Sciences Fund. Stephen holds an MA from the University of Oxford. He was appointed to the Board on 4 October 2016.

DIRECTORS' REPORT

The Directors present their Directors' report together with the financial statements for the year ended 30 September 2018. The Corporate governance statement on pages 23 to 29 also forms part of this Directors' report.

REVIEW OF BUSINESS

A review of the business, the Group's trading for the year ended 30 September 2018, key performance indicators and an indication of future developments and risks may be found in the Strategic report on pages 6 to 17.

CAPITAL STRUCTURE

The Company was admitted to AIM on 6 December 2016. Movements in the Company's issued share capital during the year under review are set out in note 22 to the financial statements. The issued share capital as at 30 September 2018 was £925,061.38, comprising 92,506,138 ordinary shares of 1 pence each in nominal value. Each share carries one vote, and all rank equally. Holders of ordinary shares are entitled to receive all shareholder documents, to attend, speak and exercise voting rights, either in person or by proxy, on resolutions proposed at general meetings and participate in any distribution of income or capital. There are no restrictions on the transfer of the ordinary shares in the Company other than certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Market Abuse Regulation whereby certain employees of the Company require the approval of the Company to deal in the ordinary shares.

SHARE OPTION SCHEMES AND WARRANTS

As at 7 December 2018 (the latest practicable date before the publication of this document), options to subscribe for shares were outstanding which entitle their holders to acquire 6,420,921 ordinary shares of 1 pence each (representing 6.94% of the issued share capital).

On 30 November 2016, the Company granted warrants over ordinary shares representing 2.0% of the post-IPO issued share capital (being 1,721,964 ordinary shares) to Wentworth Limited ('Wentworth') in consideration for Wentworth procuring Placees pursuant to the Placing. David Williams, the Company's Chairman, is the beneficial owner of Wentworth. 689,441 of these warrants were exchanged for 689,441 new ordinary shares on 4 December 2017. In accordance with the 'cashless exercise' provisions contained in the warrant instrument, the shares were issued at a nominal price of 1 pence per share, and Wentworth simultaneously waived its right to subscribe for shares under the remaining warrants.

RESULTS AND DIVIDEND

The results for the period and financial position of the Company and the Group are as shown in the annexed financial statements and reviewed in the Strategic report. No dividends will be proposed for the financial year ended 30 September 2018 (2017: £nil).

RESEARCH AND DEVELOPMENT

The Group's research and development activities relate to the development of technologies to discover and develop novel biomarkers for use within the pharmaceutical and biotechnology industry. During the financial year ended 30 September 2018, not including the cost of staff engaged in research and development, the Group invested £693,000 into research and development (2017: £407,000).

DIRECTORS' REPORT CONTINUED

DIRECTORS

The current members of the Board of Directors are presented on page 18. The Directors of the Company who served during the year ended 30 September 2018 were:

A Akoulitchev

S C Diggle

C G Hoyer Millar

A C Kibble

P L Stockdale

D J Williams

ELECTION OF DIRECTORS

All Directors are subject to election by shareholders at the first annual general meeting following their appointment by the Board. The Company's current articles of association state that each Director shall retire and (unless his/her terms of appointment with the Company specify otherwise) is eligible for election or re-election at the annual general meeting held in the third calendar year (or such earlier calendar year as may be specified for this purpose in his/her terms of appointment with the Company) following his/her last appointment, election or re-election at any general meeting of the Company. In practice, this means that every Director stands for re-election at intervals of not more than three years.

Each of Christian Hoyer Millar, Dr Alexandre Akoulitchev, David Williams, Stephen Diggle and Alison Kibble retired and was re-elected at the 2017 annual general meeting. Paul Stockdale retired and was re-elected at the 2018 annual meeting.

DIRECTORS' INDEMNITY PROVISIONS

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which remain in force at the date of this report. In addition, the Company has purchased and maintains Directors' and Officers' liability insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

DIRECTORS' INTERESTS

The beneficial interests of the Directors holding office on 30 September 2018 in the issued share capital of the Company were as follows:

	As at 30 September 2018 Number £0.01 shares	As at 1 October 2017 Number £0.01 shares
Ordinary share capital		
Alexandre Akoulitchev	6,153,082	5,806,930
Stephen Diggle[1]	11,591,883	11,591,883
Christian Hoyer Millar[2]	12,326,303	12,326,303
Alison Kibble	–	–
Paul Stockdale	–	–
David Williams[3]	1,322,352	632,911

1 Includes the shareholding of Vulpes Life Sciences Fund, which is associated with Stephen Diggle.

2 Includes 4,473,140 shares held by Christian Hoyer Millar's wife, Mrs P Hoyer Millar.

3 Held by Wentworth Limited, which is owned by David Williams.

Details of the Directors' share options are disclosed on page 37.

POLITICAL DONATIONS

The Company made no political donations during the reporting period.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policy are set out in note 30 in the notes to the consolidated financial statements.

MAJOR INTERESTS

As at 7 December 2018, being the latest practicable day prior to the publication of this report, the Company had been notified of the following shareholdings amounting to 3% or more of the issued share capital of Oxford BioDynamics Plc:

Shareholder	Number of shares	%
Christian Hoyer Millar[1]	12,326,303	13.37%
Vulpes Life Sciences Fund	11,591,883	12.57%
Odey Funds	8,592,523	9.32%
The Chancellor, Masters and Scholars of the University of Oxford	6,360,529	6.90%
Alexandre Akoulitchev	6,153,082	6.67%
Aroul Ramadass and Family	5,830,468	6.32%
GL Healthcare Investment L.P.	4,688,000	5.08%
Jeremy Richard Chancellor Ironside	4,236,644	4.84%

1 Christian Hoyer Millar's holding includes 4,473,140 shares held by his wife, Mrs P Hoyer Millar.

PURCHASE OF OWN SHARES BY THE COMPANY

At the general meeting held on 15 March 2018, shareholders authorised the Directors to make market purchases of the Company's ordinary shares up to a maximum number of 8,747,997 shares on such terms and in such manner as the Directors determined from time to time, subject to the limitations set out in the resolution.

This authority remains valid until the date of the next annual general meeting. No such purchases were made during the year. At the close of business on 7 December 2018, being the latest practicable day prior to the publication of this report, the Company had 92,559,771 ordinary shares in issue, none of which were held in treasury. A renewal of the authority to make market purchases of the Company's ordinary shares, if believed appropriate, will be sought at the forthcoming annual general meeting, although the Board has no present intention of exercising such authority. If this resolution is passed, the Company will be authorised to purchase up to a maximum of 9,255,977 ordinary shares, being approximately 10% of the Company's issued ordinary share capital on 7 December 2018 (being the latest practicable date before the date of this document). The resolution sets out the minimum and maximum price that the Company may pay for purchases of its ordinary shares.

POST-BALANCE SHEET EVENTS

After the year end, the Company exercised its pre-existing option to acquire, for a nominal amount, a 30% shareholding in Holos Life Sciences Pte Ltd ('Holos'), a Singapore-based company, and also participated in an interim fundraising by Holos, investing US$540,000 in that entity. Accordingly, Holos will be classed as an associate of the Group with effect from the date of the exercise of the option, on 5 October 2018.

DIRECTORS' REPORT CONTINUED

GOING CONCERN

The Group's business model is set out in the Strategic overview on page 9. As noted there, the Directors aim, in the medium to long term, to transition the Group's revenue model to one that is predominantly based upon licence revenue, whereby the Group aims to generate upfront and milestone payments and future royalties from licensing the *EpiSwitch*™ technology platform to multiple participants within the pharmaceutical and biotechnology industry.

In the short-to-medium term, the Group is expected to remain loss-making as outlined in the table of principal risks on pages 12 to 14. The loss and operating cash outflow for the year ended 30 September 2018 are consistent with the Directors' expectations of the performance of the Group and Company at this stage in the development of its business model.

The investment by GL Capital Group in August 2018 provided the Group with significant additional cash resources, extending the period over which the business is able to fund its planned activity, even in the absence of significant increases in income. The Group has prepared detailed financial forecasts which show that, in the absence of significant revenue growth or further fundraising from investors, the Group could continue at planned activity levels for more than five years.

Given the above, and after making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the Board continues to adopt the going concern basis in preparing the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's Auditor is unaware; and
- the Director has taken all reasonable steps as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

INDEPENDENT AUDITOR

Following an audit tender process described in the Audit Committee Report on page 32, Grant Thornton UK LLP were appointed as the Group's Auditor during the year. A resolution to appoint Grant Thornton UK LLP as Auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at The Linbury Room, Worcester College, Oxford, OX1 2HB on 14 March 2019 at 11am. The notice convening the meeting is set out on pages 84 and 85, along with a summary of the business to be transacted. A copy of the notice is also available on the Company's website at www.oxfordbiodynamics.com.

By order of the Board

Christian Hoyer Millar
Chief Executive Officer
10 December 2018

CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S INTRODUCTION

Dear Shareholders,

I have pleasure in introducing this year's Corporate governance statement.

The OBD Board seeks to follow best practice in corporate governance as appropriate for a company of our size, nature and stage of development. As a public company listed on AIM we are cognisant of the trust placed in the Board by institutional and retail investors, employees and other stakeholders. We recognise the importance of an effectively operating corporate governance framework.

At OBD, the Board has adopted the principles of the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') to support the Company's governance framework. The Directors acknowledge the importance of the ten principles set out in the QCA Code and this statement sets out how we currently comply with each of the QCA Code's ten principles, and the reasons for any current departures from compliance.

David Williams

Chairman

QCA PRINCIPLE 1: ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG-TERM VALUE FOR SHAREHOLDERS

OBD's strategic aim and business objectives are underpinned by the Group's values: Innovative, Pioneering, Achieving Excellence, Diverse, Professional. For further information on the Group's strategy and business model see pages 9 and 11 of the Strategic report.

OBD's approach to risk management, as well as key risks and their mitigation, is shown on pages 12 to 14 of the Strategic report.

QCA PRINCIPLE 2: SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Company recognises the importance of engaging with its shareholders and reports formally to them when its full-year and half-year results are published.

The Board also seeks to engage with shareholders to understand their needs and expectations, primarily through meetings with the Executive Directors, both individually as required (this mainly applies to institutional investors and/or those with significant shareholdings) and at annual general meetings, at which all shareholders are welcome.

The Non-Executive Directors may be contacted by shareholders who wish to raise matters with them, and the Chairman and Independent Non-Executive Director will attend meetings with institutional investors and analysts as required.

Investors may contact the Company directly through the investor relations email address noted on the Company's website.

QCA PRINCIPLE 3: TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

The Board recognises that it is responsible not only to the Company's shareholders and employees, but to a wider group of stakeholders (including customers and suppliers) and the communities in which the Group operates. Whilst OBD does not have direct contact with patients, the Group aims through its technology to improve outcomes for those who are suffering from diseases with unmet or poorly-met medical needs.

As notes in the Strategic report, the Group seeks to follow best practice by:

- treating all stakeholders fairly;
- communicating openly and honestly all shareholder and stakeholder information;
- providing safe, secure and healthy working conditions for all employees;
- promoting equality, judging neither by race, nationality, religion, age, gender, disability, sexual orientation nor political opinion; and
- observing the laws and regulations of each country in which it operates.

CORPORATE GOVERNANCE STATEMENT CONTINUED

QCA PRINCIPLE 4: EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

The Board has implemented what it considers to be a sensible approach to risk management for a company of OBD's size.

Risk management policy

The Group's approach to risk management, including the maintenance of risk registers is outlined in the Strategic report on page 12. These risk management processes are particularly well-developed and managed for the Group's ISO-certified activities and are also in place to cover other areas of the business. The Board expects further to develop its risk management processes in these additional areas over the coming year.

Internal controls

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal elements of the Group's internal control system include:

- close management of the day to day activities of the Group by the Executive Directors;
- clearly defined lines of responsibility and delegated authority;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- annual revenue, cash flow and capital forecasts, which are reviewed regularly during the year, regular monitoring of management accounts and capital expenditure reported to the Board, and regular comparisons with forecasts;
- financial controls and procedures including hierarchical dual authorisation of payments and segregation of duties wherever possible; and
- the Company's Audit Committee approves audit plans and published financial information and reviews reports from the external Auditor arising from the audit and deals with significant control matters raised.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available. The Board considers that the introduction of an internal audit function is not appropriate at present, but this will be kept under review.

QCA PRINCIPLE 5: MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The Board, led by the Chairman, is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

Board composition and independence of Directors

During the reporting period, the Board comprised three Executive and three Non-Executive Directors, one of whom, Alison Kibble, is considered by the Directors to be independent for the purposes of the QCA Code. Alison joined the Board on 7 December 2007 and, prior to this, had no association with the Company. Alison has previously represented the University of Oxford's shareholding in the Company, however this representation has since ceased.

Stephen Diggle represents a significant shareholder (Vulpes Life Sciences Fund) and, therefore, is not considered by the Board to be independent.

Whilst all of the Non-Executive Directors offer robust challenge and support to the Executive Directors and are committed to representing the interests of all shareholders, in seeking to follow best practice in corporate governance, the Directors recognise that the QCA Code recommends that a company should have at least two independent non-executive directors. However, the QCA Code further notes that it may not be possible for growing companies to meet all of the objective independence criteria demanded of the largest listed companies.

The Directors are satisfied that the Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and will consider the requirement for additional Non-Executive Directors as the Company grows further. In the interim, the Directors believe that the Board continues to operate effectively with one independent Director in place and that, whilst David Williams as Chairman is not considered independent by virtue of the shareholding held by Wentworth Limited, of which he is the beneficial owner (see page 20 for further details), David does bring significant public markets and corporate governance experience to the Board, having previously overseen and supported a number of high growth companies on AIM. Since there is only one independent Non-Executive Director, the Board does not consider it necessary to appoint a senior independent non-executive director.

The Board's activities are supported by the Nomination, Audit and Remuneration Committees. All the Directors have appropriate skills and experience for the roles they perform at the Company, including as members of Board Committees.

Time commitments

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the terms and conditions of their appointment and, in particular, the time commitment expected of them. A potential director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment.

The Board is satisfied that the Chairman and each of the other Non-Executive Directors is able to, and does, devote sufficient time to the Company's business. All three Executive Directors are employed on a full-time basis.

In the appropriate circumstances, the Board may authorise Executive Directors to take non-executive positions in other companies and organisations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The acceptance of appointment to such positions is subject to the approval of the Chairman.

Attendance at Board and Committee meetings

The Board meets at least four times per year for formal Board meetings. The Board approves financial statements, dividends (if any) and significant changes in accounting practices and key commercial matters, such as decisions to be taken on whether to take forward or to cancel a material collaboration project or commercial agreement. There is a formal schedule of other matters reserved for decision by the Board, which is available on the Company's website.

The Board considers that it has shown its commitment to leading and controlling the Group by meeting eight times during the year ended 30 September 2018, and the attendance of each Director at Board and Committee meetings during the period is set out in the table below:

Director	Board[1]	Audit Committee[1]	Remuneration Committee[1]	Nomination Committee[1]
A Akoulitchev	6/8	–	–	–
S C Diggle	8/8	–	–	–
C G Hoyer Millar	8/8	–	–	1/1
A C Kibble	7/8	4/4	3/3	1/1
P L Stockdale	8/8	–	–	–
D J Williams	8/8	4/4	3/3	1/1

1 Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the above table.

In cases of non-attendance, this was generally as a result of the respective Board meeting being called on short notice.

Timeliness and quality of Board information

The Board seeks to ensure that Directors are properly briefed on issues arising at Board and Committee meetings by establishing procedures for distributing Board and Committee papers in a timely manner in advance of meetings; considering the adequacy and quality of the information provided before making decisions; and adjourning meetings or deferring decisions when Directors have concerns about the information available to them.

The Board receives detailed reports from executive management on the performance of the Group at Board meetings and other information as necessary, and Senior Management Team members regularly make presentations to the Board on their areas of responsibility.

CORPORATE GOVERNANCE STATEMENT CONTINUED

QCA PRINCIPLE 6: ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

The Nomination Committee is responsible for identifying and assessing the suitability of candidates to fill vacancies on the Board, and also for assessing the appropriateness of the size and composition of the Board as OBD develops.

The Board currently comprises three Executive and three Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience to enable the Board to deliver the Group's strategy for the benefit of shareholders over the medium to long term. The balance of skills and experience of the Board is summarised below:

Director	Biotech/ pharma sector	Financial	General Management	Other public company (board level)
A Akoulitchev	●			
S C Diggle	●	●	●	
C G Hoyer Millar	●	●	●	●
A C Kibble	●	●	●	●
P L Stockdale	●	●		
D J Williams		●	●	●

Further details of the skills and experience of the Directors are provided in their biographies on page 18. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board also has access to external advisors, at the Company's expense, where necessary. During the reporting period, the Board and Committees made enquiries to the Company's lawyers and other advisers as necessary, and used externally-sourced information relating to remuneration benchmarking.

On joining the Board, Directors take part in a formal induction process, including briefing on AIM rules by the Company's Nominated Adviser ('NOMAD') and the provision of past Board materials to provide background information on the Company and information on the Board's processes and governance framework. The induction is tailored to meet each new Director's specific needs. The Directors also receive regular briefings and updates from the Company's NOMAD in respect of continued compliance with the AIM Rules and the Market Abuse Regulation.

The Board and Committees receive training as appropriate, and the Directors and the Senior Management Team are encouraged to attend external seminars on areas relevant to their role. In particular, the members of the Audit Committee receive technical updates from the Company's external auditor to keep them abreast of the latest accounting, auditing, tax and reporting developments.

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board Committees. The Company Secretary is also responsible for ensuring that Board procedures are followed and that the Board receives the information it needs to fulfil its duties effectively.

The Company is a strong supporter of diversity in the boardroom. The Board currently comprises of one female and five male Directors. The Company remains of the opinion that appointments to the Board should be made relative to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

QCA PRINCIPLE 7: EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

Board evaluation

The Board is mindful that it needs continually to monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness. Alongside a formal annual evaluation, the Chairman routinely assesses the performance of the Board and its members and discusses any issues arising with the relevant Directors.

The annual review of the effectiveness of the Board and its Committees is conducted through questionnaires and interviews with the Chairman. Any performance-related remuneration of Executive Directors is determined by the Remuneration Committee. The Executive Directors and the other Non-Executive Directors are responsible for evaluating the performance of the Chairman.

In conducting the formal annual evaluation, the Board undertakes a rigorous assessment of its own performance, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also of that of its Committees) and the performance of its individual Directors.

The Board undertook a formal evaluation of its performance, and that of its Committees, in 2018. In conducting this review, the Chairman undertook a formal discussion with the other Non-Executive Directors regarding the performance of the Board and its Committees, and the other Non-Executive Directors' own individual contribution and performance. In preparation, the Chairman solicited the views of the other Directors, including the completion by each Director of a confidential questionnaire. Alison Kibble, as the independent Non-Executive Director, led the evaluation of the Chairman's performance.

The performance evaluations focused, in particular, on the following:

The Board

- the Board's scope of responsibilities/duties with the Company and to all its stakeholders;
- the appropriateness and timeliness of information provided to the Board;
- Board procedures;
- the composition of the Board and its Committees (i.e. mix of skills, diversity (including gender), experience and expertise);
- continuing professional development;
- the effectiveness of the Board's communication with shareholders;
- the Board's contribution to developing and testing strategy and to risk management;
- the quality of advice received from the current external advisers;
- corporate social responsibility; and
- the effectiveness of Board Committees.

In addition to the above, the **Chairman** was evaluated on his:

- effective leadership of the Board;
- management of relationships and communications with shareholders;
- identification of development needs of individual Directors with a view to enhancing the overall effectiveness of the Board as a team;
- promotion of the highest standards of corporate governance; and
- management of Board meetings and ensuring effective implementation of Board decisions.

Following the reviews, the Chairman shared his views and any actions arising, where appropriate, with the other Non-Executive Directors and the Executive Directors. These individual evaluations aimed to confirm that each Director continues both to contribute effectively and to demonstrate commitment to the role (including the allocation of necessary time for preparation and attendance at Board and Committee meetings and any other duties).

The results of the review were satisfactory overall.

Succession Planning

The Nomination Committee is responsible for succession planning of the executive leadership team and makes recommendations to the Board for the re-appointment of Non-Executive Directors if and when necessary. Further details of the Group's succession planning process are contained in the Nomination Committee report on page 30.

CORPORATE GOVERNANCE STATEMENT CONTINUED

QCA PRINCIPLE 8: PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The Group operates a policy of equal opportunities in the recruitment and engagement of staff as well as during the course of their employment. The Group endeavours to promote the best use of its human resources on the basis of individual skills and experience, matched against those required for the work to be performed. In support of this policy the Company has achieved the Investors in People standard accreditation. The Group's employee handbook, which is read by all employees as part of their induction, sets out in detail the Group's values and ethical policies.

The Group aims to:

- ensure employees operate and behave in line with the values of the Group;
- respect the rights and dignity of every employee and treat them fairly and without discrimination;
- encourage team working and the sharing of knowledge by creating transparency and trust among employees;
- recognise employees' individual and team contribution and reward them appropriately;
- ensure each member of staff has structured training and development opportunities based on their individual requirements and aspirations;
- encourage a pioneering environment where employees are willing to explore and adapt to new ideas and embrace change; and
- create a culture of continuous improvement and excellence by encouraging innovation and a high standard of work and professionalism.

The Strategic report provides further detail on the policies in place to promote and support ethical behaviour and the Group's values, and how these align with the Group's objectives, strategy and business model.

QCA PRINCIPLE 9: MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

The Chairman, David Williams, is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role, setting its agenda and ensuring that the Directors receive accurate, timely and clear information. The Chairman also ensures effective communication with shareholders and facilitates the effective contribution of Non-Executive Directors.

The Chief Executive Officer, Christian Hoyer Millar, is responsible for running the business and for managing the Senior Management Team, which reports formally to the Board at each Board meeting.

At each of its meetings, the Board considers Directors' conflicts of interest. The Company's articles of association provide for the Board to authorise any actual or potential conflicts of interest.

The Board is responsible to shareholders for the effective stewardship of the Group's affairs and, as mentioned above, there is a formal schedule of matters reserved for decision by the Board in place, which enables the Board to provide leadership and ensure effectiveness, and which may be found on the Company's website.

The appropriateness of the Board's structures and processes are reviewed through the Board evaluation process detailed under QCA Principle 7 above and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group's objectives, strategy and business model as the business develops.

Board Committees

The Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee and the Board has delegated specific responsibilities to those Committees as detailed below. Copies of each Committee's terms of reference are available in the Investors section of the Company's website.

Nomination Committee

Details of the activities and responsibilities of the Nomination Committee are set out on page 30.

Audit Committee

A report on the responsibilities of the Audit Committee and how it discharges them is provided in the Audit Committee report on pages 31 to 33.

Remuneration Committee

The Remuneration Committee report on pages 34 to 37 provides details of the responsibilities and activities of the Remuneration Committee. It sets out a summary of the Group's policy on remuneration policy, having due regard to the interests of shareholders, and details of the elements of the remuneration package of each individual Director.

QCA PRINCIPLE 10: COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

Throughout the year, the Company maintains a healthy dialogue with institutional shareholders through individual meetings with Executive Directors. Private shareholders are encouraged to attend the annual general meeting at which the Group's activities are considered and questions answered. General information about the Group is also available on the Company's website (www.oxfordbiodynamics.com). This includes an overview of activities of the Group and details of all recent Company announcements. The Non-Executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman and the Independent Non-Executive Director will attend meetings with investors and analysts as required.

Results of shareholder votes are made public on the Company's website after the meetings concerned. None of the resolutions proposed at either of the two annual general meetings held by the Company to date had a significant proportion (more than 20%) of votes cast against them.

As explained under QCA Principle 9, the Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee and the work of each of the Board Committees undertaken during the year ended of 30 September 2018 is detailed in their reports on the following pages.

NOMINATION COMMITTEE REPORT

NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board given the skills, knowledge and experience required to ensure that it operates effectively. The Nomination Committee meets at least once per year and at other times if required. The Nomination Committee also identifies and nominates suitable candidates to join the Board when vacancies arise, and makes recommendations to the Board for the re-appointment of any Non-Executive Directors. David Williams acts as Chairman of the Nomination Committee and its other members are Alison Kibble and Christian Hoyer Millar.

During the reporting period, the Nomination Committee met once. Details of meeting attendance are shown in the Corporate governance statement on page 25.

In discharging its duties, the Nomination Committee reviewed the structure, size and composition of the Board and was of the view that the composition of the Board during the reporting period of three Executive Directors and three Non-Executive Directors (one of whom was considered to be independent for the purposes of the QCA Code) was appropriate at the present time. However, it was agreed that the structure, size and composition of the Board would be monitored and kept under review, and it remained the Board's intention to seek to appoint a second independent Non-Executive Director in due course.

The Nomination Committee is also responsible for succession planning of the executive leadership team and makes recommendations to the Board for the re-appointment of any Non-Executive Directors as necessary. The Committee has identified that a more active succession planning process is now required as the Company grows and a process for this has begun.

During the reporting period, the Nomination Committee also considered the retirement and re-election of Directors, noting that all of the current Directors had stood for election at the 2017 annual general meeting, save for Paul Stockdale, who had stood for election at the 2018 AGM.

AUDIT COMMITTEE REPORT

As Chairman of the Audit Committee, I am pleased to present our report for the year ended 30 September 2018.

This report outlines the role of the Audit Committee on behalf of the Board, and its activities during the year. It also sets out the issues relating to the financial statements that the Committee has considered as part of our work, and the conclusions it has reached, in consultation with the external Auditor where appropriate.

A C Kibble

Alison Kibble

Chairman of the Audit Committee

AUDIT COMMITTEE

The Audit Committee's principal functions include ensuring that the appropriate accounting systems and financial controls are in place, monitoring the integrity of the financial statements of the Group, reviewing the effectiveness of the Group's accounting and internal control systems, reviewing reports from the Group's Auditor relating to the Group's accounting and internal controls, and reviewing the interim and annual results and reports to shareholders, in all cases having due regard to the interests of shareholders.

The Audit Committee meets at least three times a year, with regard to the reporting and audit cycle. Alison Kibble has recent and relevant financial experience through her roles as CEO of other healthcare companies and acts as Chairman. David Williams is the other member of the Audit Committee.

No one other than the Audit Committee Chairman and the other member receive automatic invitations to meetings of the Audit Committee. The Chief Financial Officer and external Auditor are invited to attend meetings on a regular basis, and other non-members may be invited to attend all or part of any meeting as and when considered appropriate and necessary. The Company Secretary acts as secretary to the Audit Committee.

The Audit Committee meets the external Auditor at least once a year without executive management present, and the Chairman of the Audit Committee keeps in touch on a continual basis with the key people involved in the Company's governance, including the Chief Executive Officer, the Chief Financial Officer, the Chairman, the Company Secretary and the external audit lead partner.

SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee has primary responsibility for monitoring the quality of internal financial controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's Auditor relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders. In the course of discharging its duties and responsibilities, the Audit Committee focuses particularly on compliance with legal requirements and accounting standards and on ensuring that an effective system of internal financial controls is maintained.

Its other areas of focus include reviewing and monitoring:

- the external Auditor's independence and objectivity and the effectiveness of the audit process, and making recommendations to the Board on the appointment and re-appointment of the Group's external Auditor;
- the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- the requirement for an internal audit function;
- the Group's internal financial controls and internal control and risk management systems; and
- the Group's whistleblowing, anti-bribery and fraud protection procedures;

The Audit Committee reports to the Board, and the effectiveness of the Audit Committee is reviewed by the Board annually.

AUDIT COMMITTEE REPORT CONTINUED

EXTERNAL AUDITOR

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external Auditor and assesses annually the qualifications, expertise, resources, remuneration and independence of the external Auditor. The Audit Committee also receive reports annually on the external audit firm's own internal quality control procedures. For each annual cycle, the Audit Committee undertakes to ensure that appropriate plans are in place for the external audit.

Audit tender process

KPMG LLP were the Company's and the Group's external Auditor for the financial year ended 30 September 2017. During the financial year, the Audit Committee undertook a full tender process in respect of external audit services. A range of firms was approached, and KPMG LLP were also invited to re-tender. Interested firms were subsequently requested to submit their proposals. Following this, a full review of the firms shortlisted, based on their proposals, was undertaken. The tendering firms were judged against objective criteria determined in advance of the process, and the shortlisted firms were invited to present their proposals in person to the Audit Committee. Whilst the Audit Committee appreciated the quality of the proposals presented by all the tendering firms, it considered that the submission and team from Grant Thornton UK LLP best met the pre-defined criteria it had set. It therefore recommended to the Board that Grant Thornton UK LLP be appointed as the Company's and the Group's external Auditor commencing with the audit of the financial year ended 30 September 2018. There are no contractual obligations restricting the Company's choice of external auditor.

In accordance with professional standards, the Grant Thornton LLP senior statutory auditor responsible for the audit is rotated every five years. The current senior statutory auditor was first appointed in respect of the year ended 30 September 2018.

The Audit Committee annually reviews the effectiveness of the external Auditor. This process involves the external Auditor presenting to the Audit Committee its proposed audit scope, such presentation last having taken place in September 2018 in relation to the audit of the financial statements for the year ended 30 September 2018. The external Auditor also reports to the Audit Committee on its detailed year-end work and the Audit Committee challenges significant judgements (if any). In making its assessment of external Auditor effectiveness, the Audit Committee reviews the audit engagement letters before signature, reviews the external Auditor's summary of Company issues, and conducts an overall review of the effectiveness of the external audit process and the external Auditor. The Audit Committee reports its findings to the Board.

The Audit Committee and the Board were satisfied with the performance of KPMG LLP as external Auditor prior to their resignation, and have also been satisfied with the performance of Grant Thornton UK LLP since their subsequent appointment as external Auditor. In both cases, the Audit Committee and Board were also content with the policies and procedures the external Auditors had in place to maintain their objectivity and independence.

The Audit Committee also approves in advance any non-audit services to be performed by the Auditor such as tax compliance and advisory work, and non-audit-related assurance services.

Any non-audit services that are to be provided by the external Auditor are reviewed in order to safeguard Auditor objectivity and independence. During the reporting period, no non-audit services have been provided by the external Auditor. Accordingly, the Board can confirm that during the reporting period there have been no non-audit services that are considered to have impaired the objectivity and independence of the external Auditor. A full breakdown of payments made to the external Auditor during the financial year is disclosed within note 8 on page 65.

WORK UNDERTAKEN BY THE AUDIT COMMITTEE

The Audit Committee met four times during the period. Details of meeting attendance are shown in the Corporate governance statement on page 25.

The key matters considered by the Audit Committee whilst discharging its duties and responsibilities are set out below:

- review and approval of the Annual Report and Accounts for the year ended 30 September 2017;
- consideration and approval of the unaudited interim financial statements for the period ended 31 March 2018;
- discussions with the external Auditor on the audit approach and strategy, the audit process, significant audit risks and key matters of focus for the annual audit;
- review of the financial integrity of the Group's financial statements including relevant corporate governance statements;
- consideration and approval of the audit fees for the financial year ended 30 September 2018;
- review of new financial reporting standards;
- approval of non-audit work to be carried out by the external Auditor;
- consideration of the independence and objectivity of the external Auditor;

- review of the internal controls and risk management systems within the Group;
- consideration of the requirement for the Group to have an internal audit function;
- review of the effectiveness of the external Auditor, as more fully described above;
- planning and conducting a tender for the provision of future external audit services; and
- post-period, review of the Annual Report and Accounts for the year ended 30 September 2018.

The ultimate responsibility for reviewing and approving the financial statements in the interim and annual reports remains with the Board.

SIGNIFICANT ISSUES RELATED TO THE FINANCIAL STATEMENTS

The Audit Committee, in conjunction with the external Auditor, has considered significant issues relating to the preparation of the financial statements contained in this Annual Report as follows:

Revenue recognition

The Group's contracts with customers include research service contracts with different deliverables and payment milestones, and licence agreements. The payment milestones may not necessarily equate to the revenue recognition points. The determination of the number of revenue components contained in contracts and the appropriate revenue recognition points requires considerable judgement. The Audit Committee reviewed and challenged, where necessary, the judgements of Management, taking into account the views of the external Auditor, and was satisfied that those judgements made are appropriate.

Share options and warrants

The Audit Committee reviewed the assumptions and estimates used by Management in the calculation of share option and warrant-related charges, taking into account the views of the external Auditor, and was satisfied that the valuation methodologies adopted and estimates used are reasonable.

Valuation of option to acquire shareholding in Holos Life Sciences

Taking into account the views of the external Auditor, the Audit Committee reviewed the estimate included in the financial statements of the fair value of the Company's option to acquire 30% share capital of Holos Life Sciences Pte Ltd, which was exercised after the year end. The Audit Committee was satisfied that the option had correctly been classified as a derivative and that the estimation of its fair value was reasonable (see Note 4 to the consolidated financial statements for more information).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for, and maintains a system of, internal controls, to safeguard shareholders' investment and the Group's assets, and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been in place throughout the period and up to the date of approval of the Annual Report and Accounts.

The Board's internal control and risk management review process (conducted with the assistance of the Audit Committee), is outlined on page 12.

INTERNAL AUDIT

The Board considers the need for an internal audit function annually and in consultation with the Auditor has concluded that, given the current size of the Group's operations, it is not necessary at this time.

Approved on behalf of the Board

Alison Kibble

Chairman of the Audit Committee

10 December 2018

REMUNERATION COMMITTEE REPORT

As Chairman of the Remuneration Committee, I am pleased to present our report for the year ended 30 September 2018.

This report does not constitute a full directors' remuneration report in accordance with the Companies Act 2006. As a company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act to prepare such a report. The Board does, however, have regard to the principles of the QCA Code which it considers to be appropriate for an AIM company of OBD's size. This report provides details of remuneration for all Directors and gives a general statement of policy on Directors' remuneration as it is currently applied.

A C Kibble

Alison Kibble

Chairman of the Remuneration Committee

REMUNERATION COMMITTEE

The Remuneration Committee considers all aspects of the Executive Directors' remuneration, including pensions, bonus arrangements, benefits, incentive payments and share option awards, and the policy for, and scope of, any termination payments. The remuneration of the Non-Executive Directors is a matter for the Board. The Remuneration Committee meets at least twice a year (and at such other times as may be necessary). No Director may be involved in discussions relating to his or her own remuneration. Alison Kibble acts as Chairman of the Remuneration Committee and the other member is David Williams.

The Remuneration Committee met three times during the reporting period. Details of meeting attendance are shown in the Corporate governance statement on page 25.

In discharging its responsibilities during the year, the Remuneration Committee:

- considered and approved bonus awards for the calendar year ended 31 December 2017;
- reviewed proposed salary reviews for the period ended 30 September 2018;
- set bonus performance targets for the period from 1 January to 30 September 2018; and
- reviewed and approved grants of share options, including an award of 120,000 share options to Paul Stockdale, the Company's Chief Financial Officer, further details of which may be found on page 37 of this report.

After the year end, the Remuneration Committee met to:

- consider and approve bonus awards to Executive Directors in respect of the nine-month period ended 30 September 2018;
- review and propose increases to Executive Directors' salaries for the year ending 30 September 2019; and
- review and agree corporate and individual performance objectives for Executive Directors for the year ending 30 September 2019.

In order to align reporting of Executive Directors' remuneration with the Group's financial year, the annual bonus measurement period has this year been moved from the calendar year, as was previously the case, to the year ending 30 September in each year. This has resulted in:

- the award of bonuses in respect of the nine-month period ended 30 September 2018; and
- the inclusion of two bonus payments in this year's Directors' remuneration report on page 36, being those awarded in respect of the 2017 calendar year and the nine months ended 30 September 2018.

POLICY ON EXECUTIVE REMUNERATION

The policy of the Remuneration Committee is to ensure that the Executive Directors are rewarded for their individual contributions to the Company's overall performance, and to provide them with a fair and competitive remuneration package (including long-term incentive plans) to attract, retain and motivate individuals of the experience and competence required to ensure that the Company is managed effectively and successfully, having regard to the interests of shareholders. When setting the remuneration policy for Directors, the Remuneration Committee reviews, and has regard to, the pay and employment conditions across the Group and also within the sector in which the Group operates, especially when determining salary increases.

POLICY ON NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors receive a fixed fee and do not receive any pensions payments or other benefits. No additional fees are payable in respect of membership of the Board's Committees.

Ordinarily, the Non-Executive Directors do not participate in bonus or incentive schemes. However, Alison Kibble was granted options prior to the IPO, further details of which are set out on page 37. In addition, through Wentworth Limited, of which he is the beneficial owner, David Williams was granted IPO-related warrants over ordinary shares, further details of which are set out on page 37.

The notice periods for all Non-Executive Directors are three months.

EXECUTIVE DIRECTORS' REMUNERATION PACKAGE

The components of the annual remuneration package are base salary and benefits, bonuses, and pension contributions. Base salaries are reviewed by the Remuneration Committee annually and this review takes into account a number of factors, including the current position and development of the Group, individual contribution and salaries typically paid for similar roles by comparable organisations. There is no prescribed minimum or maximum increase, and there is no obligation on the Remuneration Committee to increase basic salary.

The Senior Management Team may also receive bonuses, depending on whether certain financial, operational or strategic objectives are met. The annual standard bonus plan for the Executive Directors has a maximum threshold of between 20% and 30% of base salary.

After conducting its reviews of performance against the bonus targets which had been set for the calendar year ended 31 December 2017, the Remuneration Committee awarded bonuses to each of the Executive Directors based on 87.5% achievement against target. For the period from 1 January 2018 to 30 September 2018, the Remuneration Committee awarded bonuses based on between 62.5% and 67.5% achievement against target.

For the year ending 30 September 2019, the annual bonuses for Executive Directors will again be determined by the achievement against specific corporate and personal near-term goals, which are consistent with the interests of shareholders and aligned with the Group's business objectives.

The benefits packages offered include private health insurance and payments to money purchase pension schemes. Notice periods for all Executive Directors are set at between three and six months.

REMUNERATION COMMITTEE REPORT CONTINUED

DIRECTORS' EMOLUMENTS

Details of the emoluments of Directors who served during the current and prior years are also set out below:

	Salary £000	Bonus[2] £000	Bonus[3] £000	Other benefits £000	Total 2018 £000	Total 2017 £000	Retirement contributions 2018 £000	Retirement contributions 2017 £000
Non-Executive Directors								
D J Williams	60	–	–	–	60	55	–	–
A C Kibble[4]	24	–	–	–	24	24	–	–
S C Diggle[5]	–	–	–	–	–	–	–	–
Executive Directors								
A Akoulitchev	108	26	15	1	150	130	24	24
C Hoyer Millar[1]	261	68	40	–	369	301	–	–
P L Stockdale (appointed 15 September 2017)	120	6	11	–	137	5	10	–
K J Long (resigned 30 June 2017)	–	–	–	–	–	74	–	–
P J Boyd (resigned 21 September 2016)[6]	–	–	–	–	–	14	–	1
					740	603	34	25
Share-based payments					39	35		
Total					779	638	34	25

Notes:
1 C Hoyer Millar was the highest paid Director in 2018 (2017: C Hoyer Millar)
2 Bonuses paid during the year, awarded in respect of the 2017 calendar year
3 Bonuses awarded in respect of the period 1 January 2018 – 30 September 2018
4 Part of A C Kibble's fee for the prior year was paid to her employer, Balanced Kids Limited
5 S C Diggle's annual fee for his services as a Non-Executive Director is £1
6 Payments to P J Boyd in the prior year were in lieu of notice

DIRECTORS' SHARE OPTIONS

The share options of the Directors are set out below:

	30 September 2017 No.	Granted in the period No.	Exercised in the period No.	Lapsed in the period No.	30 September 2018 No.	Exercise price Pence	Date from which exercisable	Expiry date[1]
Non-Executive Directors								
A C Kibble	135,000	–	–	–	135,000	34p	1 Jan 2009 to 1 Jan 2011	31 December 2022
A C Kibble	75,000	–	–	–	75,000	93p	2 May 2016 to 2 May 2018	1 May 2025
Executive Directors								
A Akoulitchev	1,442,283	–	346,152	–	1,096,131	34p	1 Jan 2009 to 1 Jan 2011	31 Dec 2022
C Hoyer Millar	1,730,742	–	–	–	1,730,742	34p	1 Jan 2009 to 1 Jan 2011	31 Dec 2022
P Stockdale	–	120,000	–	–	120,000	170p	19 Mar 2019 to 19 Mar 2021	19 Mar 2028

1 As announced on 13 December 2017, in order to ensure the continued alignment of the interests of shareholders and the option holders, in light of the liquidity of the Company's shares, the independent Directors of the Company approved an extension of the exercise period of certain options which were due to expire on 31 December 2017 unless exercised prior to that date. Those options will now expire on 31 December 2022. All other terms and conditions, including the exercise price, remain unchanged.

WARRANTS

Warrants held by Directors are set out below:

	30 September 2017 No.	Issued in the period No.	Exercised in the period No.	Waived in the period No.	30 September 2018 No.	Exercise price Pence	Expiry date
Non-Executive Directors							
D J Williams	1,721,964	–	689,441	1,032,523	–	158p	30 November 2019

On 30 November 2016, the Company granted warrants over ordinary shares representing 2.0 per cent. of the post-IPO issued share capital (being 1,721,964 ordinary shares) to Wentworth Limited ('Wentworth') in consideration for Wentworth procuring Placees pursuant to the Placing and general corporate and strategic advice. David Williams, the Company's Chairman is the beneficial owner of Wentworth. 689,441 of these warrants were exchanged for 689,441 new ordinary shares on 4 December 2017. In accordance with the 'cashless exercise' provisions contained in the warrant instrument, the shares were issued at a nominal price of 1p per share, and Wentworth simultaneously waived its right to subscribe for shares under the remaining warrants.

Approved on behalf of the Board

A C Kibble

Alison Kibble

Chairman of the Remuneration Committee

10 December 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under the rules of the London Stock Exchange's AIM Market, they are required to prepare the Group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including International Financial Reporting Standards ('IFRSs') as adopted by the European Union), and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and a directors' report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD BIODYNAMICS PLC

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of Oxford Biodynamics PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 and of the group's loss the for year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

WHO WE ARE REPORTING TO

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD BIODYNAMICS PLC CONTINUED

OVERVIEW OF OUR AUDIT APPROACH

- We performed a full scope audit of the financial statements of Oxford Biodynamics PLC (the parent company), targeted procedures on Oxford Biodynamics PTE Ltd and Oxford Biodynamics (M) SDN BHD and analytical procedures on Oxford Biodynamics Australia Pty Ltd.
- Overall group materiality: £121,000, which represents 5% of the company's loss before taxation.
- Key audit matters were identified as revenue recognition for both the group and the parent company.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and Parent company	How the matter was addressed in the audit – Group
Risk 1 Revenue Recognition Revenue is recognised in accordance with the Group's accounting policy and International Accounting Standard (IAS) 18: Revenue. The revenue recorded by the Group is one of the key determinants of the Group's underlying profitability and is one of the Group's Key Performance Indicators. In addition, the nature of the contracts entered into by the Group involve delivery of a service over a period of time. As a result there is an element of judgement in determining the amount of revenue to be recognised in each reporting period. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Understanding the processes through which the business initiates, records and recognises revenue transactions; • Understanding the application of the revenue recognition accounting policies and ensuring that revenue recognition is in accordance with this policy. • Obtaining a breakdown of revenue, and reconciling this to the trial balance. • Obtaining copies of all revenue generating contracts in the year, developing an understanding of the key terms of each contract and determining the expected revenue recognition for each contract based on those terms and the revenue recognition policy. We then compared our expectations against management's and investigated any differences. • Identifying contracts that spanned the year end and re-calculating the expected deferred or accrued income and comparing this against management's calculation. Key observations We noted no instances where the revenue recognised was not in accordance with the policies adopted by the Group.

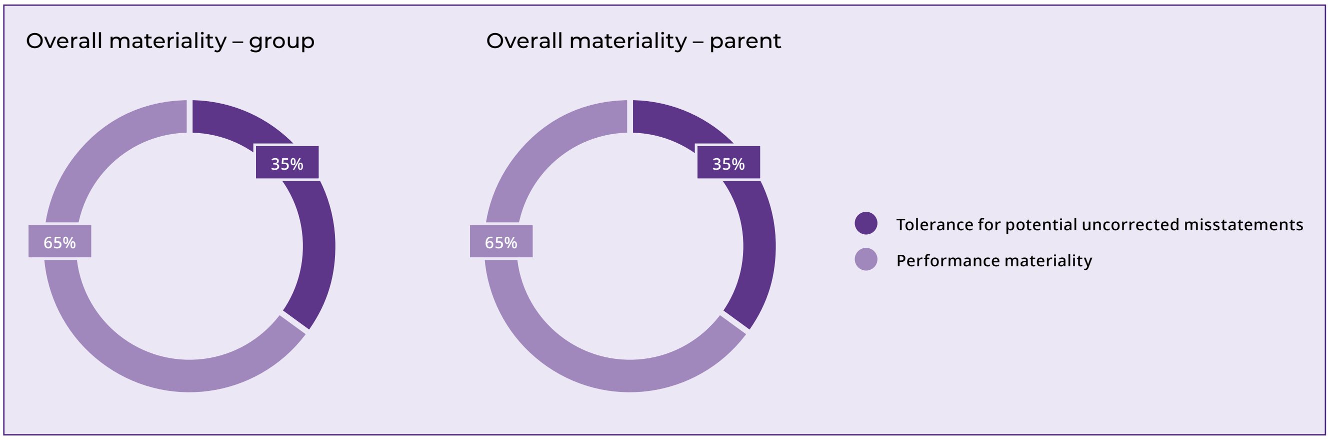
OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£121,000 which is 5% of loss before tax. This benchmark is considered the most appropriate because it is a prominent key performance indicator to the users of the financial statements. Materiality for the current year is higher than the level that was determined for the year ended 30 September 2017 this is due to a different benchmark used by the predecessor auditor.	£100,000 which is approximately 5% of loss before tax. This benchmark is considered the most appropriate because it ensures that we would obtain sufficient and appropriate evidence to support our opinion. Materiality for the current year is higher than the level that was determined for the year ended 30 September 2017 this is due to a different benchmark used by the predecessor auditor.
Performance materiality used to drive the extent of our testing	65% of financial statement materiality, being £78,650.	65% of financial statement materiality, being £65,000.
Communication of misstatements to the audit committee	£6,050 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD BIODYNAMICS PLC CONTINUED

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluating the Group's internal control environment.
- Performing process walkthroughs and documenting the controls covering the Key Audit Matters and certain other risks in financial reporting system identified as part of our risk assessment.
- A full scope audit of the financial statements of the parent company, Oxford Biodynamics PLC.
- Targeted procedures on Oxford Biodynamics PTE Ltd, were focused on revenue and cash. Targeted procedures on Oxford Biodynamics (M) SND BHD were be focused on tangible fixed assets, and intercompany creditors.
- 100% of the group and parent company's revenues were included in the scope of our full scope and targeted procedures based on the above strategy.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 38 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

CONSOLIDATED INCOME STATEMENT

	Note	2018 £000	2017 £000
Continuing operations			
Revenue	5	1,186	1,183
Research & development costs (excluding staff costs)		(693)	(407)
Staff costs	11	(1,689)	(1,551)
General & other admin costs		(1,083)	(1,350)
Share option charges		(195)	(398)
Depreciation		(331)	(242)
Other operating income		203	252
Operating loss before IPO costs		(2,602)	(2,513)
Initial public offering costs		–	(1,490)
Operating loss		(2,602)	(4,003)
Finance income	9	179	88
Finance costs	10	–	(117)
Loss before tax		(2,423)	(4,032)
Income tax	12	470	228
Loss for the year from continuing operations	7	(1,953)	(3,804)
Loss attributable to:			
Owners of the Company		(1,953)	(3,804)
Non-controlling interest		–	–
		(1,953)	(3,804)
Earnings / (loss) per share			
From continuing operations			
Basic and diluted (pence per share)	15	(2.2)	(4.5)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2018 £000	2017 £000
Loss for the year	7	(1,953)	(3,804)
Exchange differences on translation of foreign operations that may be reclassified to the income statement		(15)	2
Total comprehensive income for the year		(1,968)	(3,802)
Total comprehensive income attributable to:			
Owners of the Company		(1,968)	(3,802)
Non-controlling interest		–	–
		(1,968)	(3,802)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Intangible fixed assets	16	348	11
Property, plant and equipment	17	971	754
Deferred tax asset	26	–	–
Total non-current assets		1,319	765
Current assets			
Inventories	19	146	90
Trade and other receivables	20	1,198	1,029
Cash and cash equivalents	21	18,278	10,795
Total current assets		19,622	11,914
Total assets		20,941	12,679
Equity and liabilities			
Capital and reserves			
Share capital	22	925	861
Share premium	23	16,696	6,533
Translation reserves	23	177	192
Share option reserve	23	2,704	2,928
Warrant reserve	23	–	678
Retained earnings	23	(472)	384
Equity attributable to owners of the Company		20,030	11,576
Non-controlling interest		19	19
Total equity		20,049	11,595
Current liabilities			
Trade and other payables	24	822	1,027
Current tax liabilities		–	–
Total current liabilities		822	1,027
Non-current liabilities			
Provisions	25	70	57
Deferred tax	26	–	–
Total non-current liabilities		70	57
Total liabilities		892	1,084
Total equity and liabilities		20,941	12,679

The financial statements of Oxford BioDynamics Plc, registered number 06227084, were approved by the Board of Directors and authorised for issue on 10 December 2018.

Signed on behalf of the Board of Directors:

Christian Hoyer Millar
Chief Executive Officer
10 December 2018

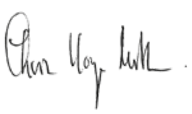
COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Intangible fixed assets	16	348	11
Property, plant and equipment	17	855	651
Subsidiaries	18	281	281
Deferred tax asset	26	–	–
Total non-current assets		1,484	943
Current assets			
Inventories	19	107	75
Trade and other receivables	20	1,341	1,829
Cash and cash equivalents	21	17,690	9,386
Total current assets		19,138	11,290
Total assets		20,622	12,233
Equity and liabilities			
Capital and reserves			
Share capital	22	925	861
Share premium	23	16,696	6,533
Share option reserve	23	2,704	2,928
Warrant reserve	23	–	678
Retained earnings	23	(590)	218
Equity attributable to owners of the Company		19,735	11,218
Non-controlling interest		–	–
Total equity		19,735	11,218
Current liabilities			
Trade and other payables	24	817	958
Current tax liabilities		–	–
Total current liabilities		817	958
Non-current liabilities			
Provisions	25	70	57
Deferred tax	26	–	–
Total non-current liabilities		70	57
Total liabilities		887	1,015
Total equity and liabilities		20,622	12,233

The parent company's loss for the year ended 30 September 2018 was £1,905,000 (2017: £3,818,000 loss).

The financial statements of Oxford BioDynamics Plc, registered number 06227084, were approved by the Board of Directors and authorised for issue on 10 December 2018.

Signed on behalf of the Board of Directors:



Christian Hoyer Millar
Chief Executive Officer
10 December 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2018

	Share capital £000	Share premium £000	Translation reserve £000	Share option reserve £000	Warrant reserve £000	Retained earnings £000	Attributable to shareholders £000	Non-controlling interest £000	Total £000
At 1 October 2017	861	6,533	192	2,928	678	384	11,576	19	11,595
Loss for the year	–	–	–	–	–	(1,953)	(1,953)	–	(1,953)
Other comprehensive income for the period	–	–	(15)	–	–	–	(15)	–	(15)
Total comprehensive income for the period	–	–	(15)	–	–	(1,953)	(1,968)	–	(1,968)
Issue of shares	64	10,170	–	–	–	–	10,234	–	10,234
Share issue costs	–	(7)	–	–	–	–	(7)	–	(7)
Exchange of warrants	–	–	–	–	(678)	678	–	–	–
Share option credit	–	–	–	195	–	–	195	–	195
Exercise of share options	–	–	–	(382)	–	382	–	–	–
Lapse of vested share options	–	–	–	(37)	–	37	–	–	–
At 30 September 2018	925	16,696	177	2,704	–	(472)	20,030	19	20,049

YEAR ENDED 30 SEPTEMBER 2017

	Share capital £000	Share premium £000	Translation reserve £000	Share option reserve £000	Warrant reserve £000	Retained earnings £000	Attributable to shareholders £000	Non-controlling interest £000	Total £000
At 1 October 2016	816	–	190	2,773	–	3,945	7,724	19	7,743
Loss for the year	–	–	–	–	–	(3,804)	(3,804)	–	(3,804)
Other comprehensive income for the period	–	–	2	–	–	–	2	–	2
Total comprehensive income for the period	–	–	2	–	–	(3,804)	(3,802)	–	(3,802)
Transactions with owners of the Company:									
Issue of shares	45	7,062	–	–	–	–	7,107	–	7,107
Share issue costs	–	(288)	–	–	–	–	(288)		(288)
Issue of warrants	–	(241)	–	–	678	–	437	–	437
Share option credit	–	–	–	398	–	–	398	–	398
Lapse of vested share options	–	–	–	(243)	–	243	–	–	–
At 30 September 2017	861	6,533	192	2,928	678	384	11,576	19	11,595

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2018

	Share capital £000	Share premium £000	Translation reserve £000	Share option reserve £000	Warrant reserve £000	Retained earnings £000	Attributable to shareholders £000	Non-controlling interest £000	Total £000
At 1 October 2017	861	6,533	–	2,928	678	218	11,218	–	11,218
Loss for the year	–	–	–	–	–	(1,905)	(1,905)	–	(1,905)
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	(1,905)	(1,905)	–	(1,905)
Issue of shares	64	10,170	–	–	–	–	10,234	–	10,234
Share issue costs	–	(7)	–	–	–	–	(7)	–	(7)
Exchange of warrants	–	–	–	–	(678)	678	–	–	–
Share option credit	–	–	–	195	–	–	195	–	195
Exercise of share options	–	–	–	(382)		382	–	–	–
Lapse of vested share options	–	–	–	(37)	–	37	–	–	–
At 30 September 2018	925	16,696	–	2,704	–	(590)	19,735	–	19,735

YEAR ENDED 30 SEPTEMBER 2017

	Share capital £000	Share premium £000	Translation reserve £000	Share option reserve £000	Warrant reserve £000	Retained earnings £000	Attributable to shareholders £000	Non-controlling interest £000	Total £000
At 1 October 2016	816	–	–	2,773	–	3,793	7,382	–	7,382
Loss for the year	–	–	–	–	–	(3,818)	(3,818)	–	(3,818)
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	(3,818)	(3,818)	–	(3,818)
Transactions with owners of the Company:									
Issue of shares	45	7,062	–	–	–	–	7,107	–	7,107
Share issue costs	–	(288)	–	–	–	–	(288)		(288)
Issue of warrants	–	(241)	–	–	678	–	437	–	437
Share option credit	–	–	–	398	–	–	398	–	398
Lapse of vested share options	–	–	–	(243)	–	243	–	–	–
At 30 September 2017	861	6,533	–	2,928	678	218	11,218	–	11,218

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 £000	2017 £000
Loss before tax for the financial year		(2,423)	(4,032)
Adjustments to reconcile loss for the year to net operating cash flows:			
Net interest	9,10	(86)	(87)
(Profit) on disposal of property, plant and equipment		(3)	–
Depreciation of property, plant and equipment	17	330	242
Amortisation of intangible assets		1	–
IPO costs		–	1,490
Movement in provisions	25	13	13
Share based payments charge	27	195	398
Working capital adjustments:			
(Increase) / decrease in trade and other receivables		(100)	147
(Increase) / decrease in inventories		(56)	16
(Decrease) / increase in trade and other payables		(316)	243
Operating cash flows before interest and tax paid		(2,445)	(1,570)
R&D tax credits received		592	–
Cash used in operations		(1,853)	(1,570)
Net foreign exchange movements		(89)	44
Net cash used in operating activities		(1,942)	(1,526)
Investing activities			
Interest received		86	105
Purchases of property, plant and equipment		(439)	(425)
Purchases of intangible assets		(337)	–
Proceeds from disposal of tangible assets		12	–
Net cash used in investing activities		(678)	(320)
Financing activities			
Issue of equity shares		10,043	7,107
Share issue costs		(7)	(288)
IPO costs		–	(1,419)
Net cash generated by financing activities		10,036	5,400
Net increase in cash and cash equivalents		7,416	3,554
Foreign exchange movement on cash and cash equivalents		67	(38)
Cash and cash equivalents at beginning of year		10,795	7,279
Cash and cash equivalents at end of year		18,278	10,795

COMPANY STATEMENT OF CASH FLOWS

	Note	2018 £000	2017 £000
Loss before tax for the financial year		(2,375)	(4,046)
Adjustments to reconcile loss for the year to net operating cash flows:			
Net interest		(83)	(84)
(Profit) on disposal of property, plant and equipment		(3)	–
Depreciation of property, plant and equipment	17	310	226
Amortisation of intangible assets		1	–
IPO costs		–	1,490
Movement in provisions	25	13	13
Share based payments charge	27	195	398
Working capital adjustments:			
Increase in trade and other receivables		557	(618)
Increase in inventories		(32)	(6)
Increase in trade and other payables		(252)	179
Operating cash flows before interest and tax paid		(1,669)	(2,448)
R&D tax credits received		592	–
Cash used in operations		(1,077)	(2,448)
Net foreign exchange movements		(34)	25
Net cash used in operating activities		(1,111)	(2,423)
Investing activities			
Interest received		83	102
Purchases of property, plant and equipment		(413)	(398)
Purchases of intangible assets		(337)	–
Proceeds from disposal of tangible assets		12	–
Net cash used in investing activities		(655)	(296)
Financing activities			
Issue of equity shares		10,043	7,107
Share issue costs		(7)	(288)
IPO costs		–	(1,419)
Net cash generated by financing activities		10,036	5,400
Net increase in cash and cash equivalents		8,270	2,681
Foreign exchange movement on cash and cash equivalents		34	(25)
Cash and cash equivalents at beginning of year		9,386	6,730
Cash and cash equivalents at end of year		17,690	9,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of Oxford BioDynamics Plc and its subsidiaries (collectively, 'the Group') for the year ended 30 September 2018 were authorised for issue in accordance with a resolution of the Directors on 10 December 2018. Oxford BioDynamics Plc (the 'Company') is a public limited company incorporated in the United Kingdom, whose shares were admitted to trading on the AIM market on 6 December 2016. The Company is domiciled in the United Kingdom and its registered office is 26 Beaumont Street, Oxford OX1 2NP. The registered company number is 06227084 (England & Wales).

The Group is primarily engaged in biomarker research and development.

2. BASIS OF ACCOUNTING

Basis of preparation

These consolidated financial statements and the financial statements of the Company have been prepared under the historical cost convention in accordance with the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU ('adopted IFRSs') in response to the IAS regulation (EC 1606/2002).

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas for which significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

Reporting currency

The consolidated financial statements are presented in pounds sterling (GBP), which is also the Company's functional currency.

Applicable accounting standards and interpretations issued but not yet adopted

At the date of authorisation of the consolidated financial statements, the following Standards and Interpretations which have been issued and endorsed by the EU (except where indicated), have not been applied by the Group in preparing the consolidated financial statements:

- IFRS 15 Revenue from Contracts with Customers (mandatory for years commencing on or after 1 January 2018)
- IFRS 16 Leases (mandatory for years commencing on or after 1 January 2019)
- IFRS 9 Financial Instruments (mandatory for years commencing on or after 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (mandatory for years commencing on or after 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (mandatory for years commencing on or after 1 January 2018)
- IFRIC 23 Uncertainty over Income Tax Treatments (mandatory for years commencing on or after 1 January 2019)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (mandatory for years commencing on or after 1 January 2018)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (mandatory for years commencing on or after 1 January 2019)

In addition, the following Standards and Interpretations are not yet EU-endorsed:

- Amendments to IAS 28 Investments in Associates and Joint Ventures (effective date: 1 January 2019)
- IFRS 17 Insurance contracts (effective date: 1 January 2021)
- Annual Improvements to IFRSs – 2015–2017 Cycle (effective date: 1 January 2019)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (effective date: 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective date: 1 January 2020)
- Amendment to IFRS 3 Business Combinations (effective date: 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective date: 1 January 2020)

The Directors are in the process of assessing whether the adoption of the standards listed above will have a material impact on the consolidated financial statements of the Group in future periods. The most significant will be IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

The Group will adopt the new standard with effect from the year ending 30 September 2019 using the modified retrospective approach. In accordance with the requirements of the Standard where the modified retrospective approach is adopted, prior year results will not be restated. The expected impact of adopting IFRS 15 is not expected to lead to a material change in equity as at 1 October 2019.

In arriving at this assessment, management have reviewed revenue-generating contracts in place as at 30 September 2018. For contracts relating to the provision of services, the Group currently recognises revenue in proportion to the stage of completion of project milestones specified in contracts as at the reporting date. IFRS 15 will require the Group to allocate consideration to contractual performance obligations and to recognise revenue when those obligations are met. The Group's research service contracts typically include straightforwardly identified performance objectives and associated consideration payable. As at 1 October 2019, there was no material difference between the revenue that would have been recognised on these contracts under IFRS 15 compared to the currently applied accounting policy. There were no upfront licence fees recognised in the year ended 30 September 2018. Management have assessed the appropriate accounting treatment under IFRS 15 of licence agreements entered into in previous accounting periods and have concluded that no adjustment to previously recognised revenue (either increase or decrease) is required. The recognition of future upfront licence fees will be considered by reference to IFRS 15. The Group's other income streams (government grants and interest income) are excluded from the scope of IFRS 15.

IFRS 9 *Financial Instruments*

The final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 was issued in July 2014. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. The Group will adopt the new standard with effect from the year ending 30 September 2019 and will not restate comparative information. The Group does not expect any change to its statement of financial position or equity as a result of adopting IFRS 9. IFRS 9 requires the recognition of expected credit losses on trade receivables. To date, the Group has incurred no bad debt expense in relation to its trade receivables and therefore management have determined that no adjustment will be required on adoption of the new standard.

IFRS 16 *Leases*

IFRS 16 requires operating leases to be recognised on the balance sheet and is likely to have a significant impact in that the assets and liabilities for all operating leases with a term of more than 12 months under which the Group is a lessee (mainly rental properties) will be recognised on the balance sheet. Application of IFRS 16 is mandatory for the Group with effect from the year ending 30 September 2020. No detailed assessment of the likely impact of its adoption has been carried out to date.

Going concern

As noted in more detail in the Directors' report, after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Basis of consolidation

a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amount related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value each reporting date and subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

c) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services and licences in the ordinary course of the Group's activities. Revenue is shown net of sales taxes, discounts and after eliminating intra-group sales.

a) Provision of services

The Group recognises revenue for services when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The Group recognises revenue from the rendering of its research service contracts in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on progress towards project milestones specified in the contract.

Revenue recognised in the income statement but not yet invoiced is held on the balance sheet within 'Trade and other receivables'. Revenue invoiced but not yet recognised in the income statement is held on the balance sheet within 'Deferred revenue'.

b) Upfront licence fees

Revenue generated from entering licence agreements is recognised upon signing the contract if the licence contract is, in substance, a sale of an asset or right as the risks and rewards have transferred to the licensee. Revenue generated from entering licence agreements is spread over the life of the contract if the substance of the transaction is a licensing arrangement.

c) Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

d) Government grants

Government grants are included within Other Operating Income and are recognised so as to match the expenditure to which they are intended to contribute. Government grants comprise amounts from Innovate UK to support the Group's biomarker research and development activities whereby 60% of eligible costs incurred can be claimed for. There are no unfilled conditions or contingencies relating to grant income recognised in the income statement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received at the time the entity enters into an operating lease agreement, such incentives are recognised as a liability and recycled through profit and loss over the term of the lease agreement. The aggregate benefit of incentives is recognised in profit and loss as a reduction to rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). Sterling is the predominant currency of the Group and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Retirement benefit costs

Payments to personal pension schemes of employees are charged as an expense as they fall due.

Holiday pay accrual

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, in order to account for the timing difference between the Group's holiday year and its financial year. The provision is measured at the salary cost (including employer's national insurance contributions) payable for the period of absence.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

a) Dilapidations

Provisions for dilapidations are recognised on a lease by lease basis and are based on the Group's best estimate of the likely committed outflow.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for research and development tax credits calculated at the tax rates effective for the current year. It is included as an income tax credit under trade and other receivables.

b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tangible and intangible assets

a) Property, plant and equipment

The Group has held no land and buildings in the period covered by these financial statements.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less residual value over their useful lives, using the straight-line method, on the following bases:

Laboratory equipment and tooling	3 years
Office equipment	3 years
Fixtures and fittings	5 years
Leasehold improvements	Life of lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income on the transfer of the risks and rewards of ownership.

The Group has no class of tangible fixed asset that has been revalued in the period covered by the consolidated financial statements.

b) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as product designs and new processes);
- it is technically feasible that the asset can be completed so that it will be available for use or sale;
- the Group has the intention to complete the development of the asset;
- the Group has the ability to use or sell the asset;
- the Group has sufficient financial technical and other resources to complete the development of the asset;
- it is probable that the asset created will generate future economic benefits; and
- the costs of developing this asset can be measured reliably.

To the extent that the above conditions are not met, any development costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Tangible and intangible assets continued

c) Patents and trademarks

External expenditure on the creation of patents and trademarks is capitalised to the extent that the conditions listed in b) above are met, and carried at cost less accumulated amortisation and accumulated impairment losses. Expenditure to maintain patents and trademarks after the date of their grant is charged to the income statement as incurred. Patents and trademarks are amortised on a straight-line basis over the remainder of their term from the date of their grant.

d) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of: (i) fair value less costs to sell and (ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation balance is greater than the impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years for the asset (or cash-generating unit). A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs, and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using either the First-In-First-Out method or, for fast moving items, the average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and term deposits with an initial maturity of less than three months.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

a) Financial assets

All financial assets are normally recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. On derecognition however, where a specific transaction is entered into with a counterparty that is judged to carry a high credit or liquidity risk, then management may determine that derecognition of the financial asset shall be based on settlement date rather than trade date, with any realised gain or loss taken to profit and loss on date of settlement.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' ('AFS') financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Classes of financial asset

- Financial assets at FVTPL

  The Group holds no financial assets classified as financial assets at fair value through profit or loss.

- Held-to-maturity investments

  The Group holds no financial assets classified as held-to-maturity investments.

- Available for sale financial assets

  The Group holds no financial assets classified as available for sale.

- Loans and receivables

  Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. The Group currently holds no financial assets classified as AFS.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial instruments continued

b) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

- Financial liabilities at FVTPL

  The Group holds no financial liabilities classified as financial liabilities at fair value through profit or loss.

- Other financial liabilities

  Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

  Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

  The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Costs charged directly to equity

Costs relating directly to the issue of new shares have been deducted from the share premium reserve. Costs relating jointly to the Company's IPO in December 2016 and the issue of new shares were allocated between share premium and the income statement by considering the number of shares newly issued at the time of the IPO as a proportion of the total number of shares in issue immediately following the IPO.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition

For revenue arising from the provision of research services, Management is satisfied that revenue has been recognised appropriately for the stage of the contracts at the reporting date based on reliable estimates. This requires Management to estimate for each project the stage of completion at the reporting date based on an analysis of information from the laboratory-based team and analysis of progress towards project milestones specified under the terms of customer contracts. Deferred income at 30 September 2018 is £56,000 (2017: £311,000) which represents revenue invoiced but not yet recognised in the income statement. A change in estimate of the stage in completion at the reporting date would result in more of this balance being recognised as revenue or less revenue being recognised in the year.

Included within revenue for the year ended 30 September 2017 was an amount of £538,000 in respect of upfront licence fee income. There were no such fees recorded in the year ended 30 September 2018. The determination of the appropriate accounting treatment for upfront licence fees required judgement, notably whether there are any continuing obligations in respect of the licences and whether the risks and rewards had transferred to the licensee. This involves the consideration of whether contracts are cancellable, any remaining obligations and uncertainties in respect of future royalties.

As at 30 September 2018, the Group has not yet earned any royalty income on licence contracts.

Strategic partnership with GL Capital Group

As noted in the Chief Executive Officer's review on page 7, the Group has entered a strategic partnership with GL Capital Group, a Greater China healthcare-focused investment management group. No Group company holds shares or voting rights in GL Capital Group, and GL Capital Group's investment in the Company represents a very small percentage (<2%) of its overall assets under management. The Directors have determined that the Group does not exercise significant influence over the activities of GL as a result of the strategic partnership.

Operating lease commitments

The Group has entered into commercial property leases as a lessee of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position. This will no longer require Directors' judgement when the Group adopts IFRS 16, with effect from 1 October 2019.

Key sources of estimation uncertainty

Management is required to disclose information relating to any key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Option over shares in Holos Life Sciences Pte Ltd

As at 30 September 2018, the Group held an option to acquire, at nominal value, a 30% holding in Holos Life Sciences Pte Ltd ('Holos'). Management estimated the fair value of this option at the year end to be £nil. Any cashflows associated with this option (and the Group's subsequent shareholding in Holos) depend on a number of contingent events, which were not predictable with sufficient certainty at the year end to attribute a greater value to the option. Any increase in the estimation of the fair value attributed to the option would have resulted in a reduction in the loss for the year and a corresponding increase in net assets.

As noted in the Chief Executive Officer's review on page 6, the option was exercised post-year end, and, since the Group is determined to have acquired significant influence over its activities, Holos Life Sciences Pte Ltd will subsequently be accounted for as an associate undertaking.

Share option scheme and warrants

The Company has established a share option scheme ('the Scheme') through which options to purchase shares in the Company may be granted to certain individuals. The fair value of the options issued under the Scheme is derived by the Company using a Black-Scholes model and the resultant values are allocated to the income statement over the vesting period (typically one, two or three years). The Company also issued warrants during the prior period. The fair value of the warrants was derived using a Monte Carlo model.

In arriving at the fair value of options and warrants using these models, Management used judgement in arriving at the estimated share price volatility, which is used as a key input to the both models. A 10% change in the level of volatility used to value options and warrants granted during the period would have an impact on the loss for the year of approximately £4,000 in the case of share options (2017: approximately £10,000). In the case of the warrants, in the prior year only, a 10% change in the volatility estimate used would have had an impact of approximately £50,000 on the loss for the year. Further details regarding the options and warrants granted and outstanding under the Scheme are set out in note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. REVENUE

An analysis of the Group's revenue is as follows:

	2018 £000	2017 £000
Continuing operations		
USA	405	310
Rest of World	781	873
Consolidated revenue	1,186	1,183

All revenue is derived from the Group's principal activity, biomarker research and development.

6. BUSINESS SEGMENTS

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive (who has been determined to be the Group's Chief Operating Decision Maker) for the purposes of resource allocation and assessment of segment performance is focused on the sole service which Oxford BioDynamics sells. The Group's sole reportable segment under IFRS 8 is therefore that of biomarker research and development.

The Group's non-current assets, analysed by Geographical location were as follows:

	2018 £000	2017 £000
Non-current assets		
UK	1,203	662
Malaysia	116	103
Total non-current assets	1,319	765

Information about major customers

The Group's revenues for the periods covered by this report are derived from a small number of customers, many of which represent more than 10% of the revenue for the period. These are summarised below:

	2018 £000	2017 £000
Revenue from individual customers each representing more than 10% of revenue for the period:	1,097	893

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Note	2018 £000	2017 £000
Net foreign exchange (gains)/losses		(93)	116
Research and development costs (excluding staff costs)		693	407
Government grants		(184)	(193)
Depreciation and impairment of property, plant and equipment	17	330	242
(Profit) on disposal of property, plant and equipment		(3)	–
Operating lease rental expense	29	123	110
Staff costs	11	1,689	1,551
Initial public offering costs		–	1,490
Share based payments charge to profit and loss	27	195	398

Research and development costs consist of inventories recognised as an expense as disclosed in note 19 and other costs of materials and services.

8. AUDITORS' REMUNERATION

	2018 £000	2017 £000
Fees payable to the Group's auditors:		
Annual audit	40	37
Other services pursuant to taxation	–	13
Other services in connection with the IPO prior to appointment as auditor	–	41
	40	91

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. FINANCE INCOME

	2018 £000	2017 £000
Bank deposit interest	86	88
Exchange gains	93	–
Finance income	179	88

10. FINANCE COSTS

	2018 £000	2017 £000
Bank interest	–	1
Exchange losses	–	116
Finance costs	–	117

11. STAFF COSTS

	2018 £000	2017 £000
Wages and salaries	1,462	1,348
Social security costs	150	132
Other pension costs	77	71
	1,689	1,551

The average number of persons, including executive directors, employed by the Group during the year was as follows:

	2018 Number	2017 Number
General and administration	31	28
	31	28

12. INCOME TAX

	2018 £000	2017 £000
Current tax:		
UK corporation tax credit at rates: 2018: 19.0% (2017: 19.50%)	(468)	(330)
(Under) / over-provision of tax credit in prior periods	(2)	102
Total current tax charge/(credit)	(470)	(228)
Deferred tax:		
Origination and reversal of temporary differences	–	–
Total tax credit	(470)	(228)

The tax credits assessed for the two years ended 30 September 2018 and 30 September 2017 related entirely to R&D tax credit relief. Taxation for the overseas subsidiaries is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the loss per the income statement as follows:

	2018 £000	2017 £000
Loss before tax on continuing operations	(2,423)	(4,032)
Weighted average corporation tax rate for the year	19.4%	19.7%
Tax at the above rate on loss for the year	(470)	(795)
Tax effect of:		
Expenses that are not deductible in determining taxable profit	6	295
Research and Development relief	(210)	(148)
(Under) / over-provision of R&D tax credit in prior periods	(2)	102
Share-based payments	(249)	78
Unrecognised tax losses and other timing differences	456	240
Tax credit for the year	(470)	(228)

Factors affecting the future tax charge

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

There is an unrecognised deferred tax asset at 30 September 2018 of approximately £2,917,000 (2017: £2,542,000) in respect of tax losses carried forward and unexercised share options. The asset has not been recognised in respect of these due to uncertainty over its recoverability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. DIVIDENDS

No dividends have been declared for the year ended 30 September 2018 (2017: £nil).

14. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The Parent Company's loss for the financial year ended 30 September 2018 was £1,905,000 (2017: £3,818,000 loss).

15. EARNINGS PER SHARE

From continuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

	2018 £000	2017 £000
Earnings for the purposes of basic earnings per share being net loss attributable to owners of the Company	(1,953)	(3,804)
Earnings for the purposes of diluted earnings per share	(1,953)	(3,804)

	2018 No	2017 No
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share*	87,728,207	85,272,526

	Pence	Pence
Earnings per share		
Basic and diluted earnings per share	(2.2)	(4.5)

* Potential ordinary shares are not treated as dilutive as the entity is loss making.

16. INTANGIBLE FIXED ASSETS

Group and Company	Website development costs £000	Software development costs £000	Patents £000	Total £000
Cost				
At 1 October 2017	11	–	–	11
Additions	31	32	275	338
At 30 September 2018	42	32	275	349
Accumulated depreciation				
At 1 October 2017	–	–	–	–
Charge for the year	–	–	1	1
At 30 September 2018	–	–	1	1
Carrying amount				
At 30 September 2018	42	32	274	348
At 30 September 2017	11	–	–	11

Intangible assets not amortised during the period are patents not yet granted and assets that had not been brought into use by the year end. The Group and Company hold no intangible assets that are determined to have indefinite useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £000	Office equipment £000	Fixtures and fittings £000	Laboratory equipment £000	Total £000
Cost					
At 1 October 2017	269	38	37	1,331	1,675
Additions	268	25	2	255	550
Disposals	–	–	–	(181)	(181)
Exchange differences	1	–	1	7	9
At 30 September 2018	538	63	40	1,412	2,053
Accumulated depreciation					
At 1 October 2017	69	23	21	808	921
Charge for the year	26	12	2	290	330
Eliminated on disposals	–	–	–	(172)	(172)
Exchange differences	–	–	–	3	3
At 30 September 2018	95	35	23	929	1,082
Carrying amount					
At 30 September 2018	443	28	17	483	971
At 30 September 2017	200	15	16	523	754

Company	Leasehold improvements £000	Office equipment £000	Fixtures and fittings £000	Laboratory equipment £000	Total £000
Cost					
At 1 October 2017	255	34	24	1,221	1,534
Additions	268	24	2	229	523
Disposals	–	–	–	(181)	(181)
At 30 September 2018	523	58	26	1,269	1,876
Accumulated depreciation					
At 1 October 2017	64	22	15	782	883
Charge for the year	26	9	2	272	309
Eliminated on disposals	–	–	–	(172)	(172)
At 30 September 2018	90	31	17	882	1,020
Carrying amount					
At 30 September 2018	433	27	9	387	856
At 30 September 2017	191	12	9	439	651

18. SUBSIDIARIES

Company	Group undertakings £000	Total £000
Cost		
At 1 October 2017 and 30 September 2018	524	524
Amounts written off		
At 1 October 2017	243	243
Written off/(back) in year	–	–
At 30 September 2018	243	243
Carrying amount		
At 30 September 2018	281	281
At 30 September 2017	281	281

All subsidiary undertakings of the Company, listed below, are included in the consolidated financial statements of the Group:

Name	Country of registration or incorporation	Principal activity	Class of shares	2017 %	2016 %
Oxford BioDynamics Pte Ltd	Singapore	Diagnostic research	Ordinary	100	100
Oxford BioDynamics Australia Pty Ltd	Australia	Dormant	Ordinary	86	86
Oxford BioDynamics (M) Sdn Bhd	Malaysia	Diagnostic research	Ordinary	100	100

19. INVENTORIES

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Laboratory consumables	146	90	107	75

The cost of inventories recognised as an expense during the year was as follows:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Cost of inventories recognised as an expense	562	271	546	247

No inventories have been pledged as security against borrowings during the 30 September 2018 financial year or the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. TRADE & OTHER RECEIVABLES

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts receivable for the provision of services	235	31	235	31
Income taxes recoverable	468	590	468	590
Amounts owed by group undertakings	–	–	146	803
Other debtors	339	121	338	120
Prepayments and accrued income	156	287	154	285
	1,198	1,029	1,341	1,829

Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

The average credit period offered to customers during the year ended 30 September 2018 was 36 days (2017: 10 days, because of a small number of large value invoices that were payable immediately). The average days sales outstanding ('DSO') in 2018 was 74 days (2017: 61 days). As the Group's revenue reflects a relatively small number of high-value contracts, with some invoicing in advance of performance obligations completed (and therefore revenue recognised), Management expect average DSO to be subject to significant variation from year to year. The recoverability of debtor balances is monitored on an invoice-by-invoice basis by Management.

The Group has not charged interest for late payment of invoices in the year ended 30 September 2018 (2017: £nil). No allowances are made in relation to doubtful debts in view of the blue-chip nature of the Group's customers and by reference to past default experience.

Before accepting any significant new customer, the Group assesses the potential customer's credit quality. The Company enters into commercial biomarker projects with a number of customers, the majority of which are global pharmaceutical and biotechnology companies. Because the contracts in which the Company is involved tend to be invoiced by means of milestone payments covering a substantial portion of the whole project, this may distort the credit exposure profile at certain points during the financial period. Accordingly, at 30 September 2018, the proportion of revenue attributable to one customer was 61% (2017: 56%), but the Directors are of the view that this does not signify that there is more than a low-to-moderate risk in this respect, and this is borne out by the Company's history of having had no bad debts throughout the period.

Trade receivables disclosed above include no amounts which are significantly past due at the year-end (see ageing analysis below). Accordingly, the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and all amounts are considered recoverable.

Ageing of trade receivables (none of which are considered to be impaired):

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Not overdue	123	31	123	31
Overdue between 0–30 days	4	–	4	–
Overdue between 31–60 days	–	–	–	–
Overdue between 61–90 days	–	–	–	–
Overdue between 91–120 days	108	–	108	–
Overdue more than 120 days	–	–	–	–
	235	31	235	31

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Cash and bank balances	18,278	10,795	17,690	9,386

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The Directors consider the carrying amount of these assets to be approximately equal to their fair value.

22. SHARE CAPITAL OF THE COMPANY

	2018 Number	2018 £	2017 Number	2017 £
Authorised shares				
Ordinary shares of £0.01 each – allotted and fully paid	92,261,906	922,619	86,098,228	860,982
Ordinary shares of £0.01 each – allotted and unpaid[1]	244,232	2,442	–	–
Total	92,506,138	925,061	86,098,228	860,982

1 Shares unpaid at the year-end were allotted on the exercise of options. These shares were subject to a 'sale to cover' the required exercise price, contracted pre-year end but settled after the year end.

The Company has one class of ordinary shares which carry no right to fixed income.

As noted in the strategic report, on 4 December 2017, the Company issued 689,441 ordinary shares of £0.01 at nominal value on the exchange of warrants held by Wentworth Limited, and on 22 August 2018, issued 4,688,000 ordinary shares of £0.01 to GL Capital Group for a price of 208p per share.

During the year, the Company also issued 1,030,469 shares on the exercise of options by current and former employees and advisors.

The Company has a number of shares reserved for issue under an equity-settled share option scheme; further details are disclosed in note 27.

23. RESERVES

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium:	Amount subscribed for share capital in excess of nominal value
Translation reserve:	Gains/losses arising on retranslating the net assets of overseas operations into GB pounds
Share option reserve:	Reserve account for share option equity-based transactions
Warrant reserve:	Reserve account for warrants-related equity-based transactions
Retained earnings:	All other net gains and losses and transactions not recognised elsewhere

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £000	**2017 £000**	**2018 £000**	**2017 £000**
Trade payables	291	255	291	254
Other creditors including other taxes and social security	46	45	46	45
Accruals and deferred income	485	727	480	659
	822	1,027	817	958

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases was 30 days (2017: 30 days). No interest costs have been incurred in relation to trade payables. The Group's policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments.

Other creditors include sales taxes, property taxes, social security and employment taxes due to local tax authorities.

Accruals and deferred income principally comprise accrued overhead expenses and deferred project revenue for which certain delivery or performance obligations remain outstanding at the period end.

The Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

25. PROVISIONS

Group & Company	**Property dilapidations £000**	**Total £000**
At 1 October 2017	57	57
Arising during the year	13	13
At 30 September 2018	70	70

Property dilapidations

The property dilapidations provision is based on the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of their respective lease term.

26. DEFERRED TAX

Deferred tax relates to the following:

	Statement of financial position		Consolidated income statement	
Group & Company	**2018 £000**	**2017 £000**	**2018 £000**	**2017 £000**
Accelerated tax depreciation	(113)	(81)	(32)	(9)
Unrelieved tax losses	113	81	32	9
Deferred tax expense/(income)			–	–
Net deferred tax asset/(liability)	–	–		

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group or Company can benefit therefrom:

Group & Company	Unrelieved tax losses £000	Share-based payments £000	Other £000	Total £000
At 1 October 2017	790	1,738	14	2,542
Movement in year including impact of tax rate changes and vesting of share options	409	(20)	(14)	375
At 30 September 2018	1,199	1,718	–	2,917

27. SHARE-BASED PAYMENTS

Equity-settled share option scheme

In November 2016, the Company established an Enterprise Management Incentive ('EMI') share option scheme, under which options have been granted to certain employees, and a non-employee option scheme with similar terms, except that options granted under it do not have EMI status. EMI and non-EMI share options were also previously granted under a share option scheme established in October 2008 ('the 2008 Scheme'). The Company does not intend to grant any further options under the 2008 Scheme. All of the schemes are equity-settled share-based payment arrangements, whereby the individuals are granted share options of the Company's equity instruments, namely ordinary shares of one pence each.

The schemes include non-market-based vesting conditions only, whereby the share options may be exercised from the date of vesting until the tenth anniversary of the date of the grant. In most cases options vest under the following pattern: one-third of options granted vest on the first anniversary of the grant date; one-third on the second anniversary and one-third on the third anniversary. The only exception to this pattern is 84,000 options which were granted in the year ended 30 September 2016 which vested immediately upon grant.

The options outstanding as at 30 September 2018 have exercise prices in the range of £0.34 to £2.10.

	2018		2017	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at start of period	7,801,716	0.56	7,636,716	0.51
Granted during the period	340,000	1.91	575,000	1.58
Forfeited during the period	(270,435)	(1.44)	(410,000)	(1.06)
Exercised during the period	(1,030,469)	(0.46)	–	
Outstanding at end of period	6,840,812	0.61	7,801,716	0.56
Exercisable at end of period	6,193,409	0.50	6,813,516	0.45
Weighted average remaining contractual life (in years) of options outstanding at the period end[1]		4.83		2.93

* As noted in the Remuneration Committee report on page 37, in order to ensure the continued alignment of the interests of shareholders and the option holders, in light of the liquidity of the Company's shares, the independent Directors of the Company approved an extension of the exercise period of certain options which were due to expire on 31 December 2017 unless exercised prior to that date. Those options will now expire on 31 December 2022. All other terms and conditions, including the exercise price, remain unchanged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. SHARE-BASED PAYMENTS CONTINUED

Equity-settled share option scheme continued

	2018 £000	2017 £000
Expense arising from share-based payment transactions	195	398

The fair value of share options has been estimated using the Black-Scholes option pricing model. Volatility has been estimated by reference to historical share price data over a period commensurate with the expected term of the options awarded. The assumptions for the options granted during the current and prior periods were as follows:

	2018 £000	2017 £000
Share price at date of grant	£1.70 to £2.10	£1.33 to £1.62
Exercise price	£1.70 to £2.10	£1.58
Expected volatility	45% to 46%	50% to 62%
Dividend yield	0%	0%
Contractual life of option	10 years	10 years
Risk free interest rate	1.45% to 1.6%	1.2% to 1.5%

Warrants

	2018		2017	
	Number of warrants	Exercise price £	Number of warrants	Exercise price £
Outstanding at start of period	1,721,964	1.58	–	–
Granted during the period	–	–	1,721,964	1.58
Exchanged during the period	(689,441)	1.58	–	–
Waived during the period	(1,032,523)	1.58		
Outstanding at end of period	–	–	1,721,964	1.58
Exchangeable at end of period	–	–	–	–
Weighted average remaining contractual life (in years) of warrants outstanding at the period end		–		2.2

The warrants became exchangeable if the Company's share price (measured as a 20-day average) exceeded £2.37 (being 150% of the IPO price of £1.58) during the three-year period following grant.

The fair value of warrants was estimated using a Monte Carlo model, using the assumptions set out in the table below. Volatility was estimated by reference to historical share price data over a period commensurate with the expected term of the warrants.

	2017 £000
Share price at date of grant	£1.58
Exercise price	£1.58
Hurdle price	£2.37
Expected volatility	47%
Dividend yield	0%
Contractual life of warrants	3 years
Risk free interest rate	0.2%

28. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group contributes to the personal pension schemes of individual employees.

Other than amounts that are deducted from employees' remuneration and accrued pending payment to the individuals' pension schemes, no further obligations fall on the Group as the assets of these arrangements are held and managed by third parties entirely separate from the Group.

The pension charge for the period represents contributions payable to the pension schemes of individual employees and these amounted to £76,000 for the year ended 30 September 2018 (2017: £71,000). Contributions owed to the schemes at 30 September 2018 amounted to £2,925 (2017: £1,620).

29. COMMITMENTS & CONTINGENCIES

Operating lease commitments

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Minimum lease payments under operating leases recognised as an expense during the year	123	110	116	104

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Within one year	139	96	133	90
In the second to fifth years inclusive	597	358	589	357
After five years	181	171	181	171
	917	625	903	618

Operating lease payments typically represent rentals payable by the Group for its office properties together with office and laboratory equipment. Rent reviews and break clauses apply to leased property agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure entities within the Group are able to continue as going concerns while maximising the return to stakeholders.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Group and Company statements of changes in equity on pages 48 to 51 and notes 22 and 23.

The Group is not subject to any externally imposed capital requirements. Equity includes all capital and reserves of the Group that are managed as capital.

Categories of financial instruments

		Group		Company	
	Note	2018 £000	2017 £000	2018 £000	2017 £000
Financial assets					
Cash and cash equivalents	21	18,278	10,795	17,690	9,386
Trade and other receivables	20	1,198	1,029	1,341	1,829
		19,476	11,824	19,031	11,215
Financial liabilities					
Amortised cost					
Trade and other payables	24	822	1,027	817	958
		822	1,027	817	958

Fair value of financial instruments

Management has assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Accordingly, none of the bases for valuation under the fair value hierarchy set out in IFRS 13 'Fair Value Measurement' have been deployed in arriving at the values shown above.

Financial risk management objectives

The Group's finance function is responsible for all aspects of corporate treasury. It co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal reports which analyse exposures by degree and magnitude. The risks reviewed include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below). The Group currently uses natural hedges to mitigate its foreign currency transactions.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies, therefore exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters, utilising natural hedging where appropriate.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the relevant period end dates are as follows:

	Liabilities		Assets	
Group	**2018 £000**	**2017 £000**	**2018 £000**	**2017 £000**
US dollar	–	(1)	2,700	2,008
Singapore dollar	(5)	(2)	286	523
Euro	(35)	–	4	4
Australian dollar	–	(1)	130	135
Malaysian ringgit	(1)	(1)	3	23
Outstanding at end of period	(41)	(5)	3,123	2,693

	Liabilities		Assets	
Company	**2018 £000**	**2017 £000**	**2018 £000**	**2017 £000**
US dollar	–	(1)	2,529	1,037
Euro	(35)	–	4	4
Outstanding at end of period	(35)	(1)	2,533	1,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL INSTRUMENTS CONTINUED

Foreign currency sensitivity analysis

The Group is mainly exposed to the US dollar and, to a lesser extent, the Singapore dollar.

The following table details the Group's sensitivity to a 10% weakening in the pound sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonably possible movement in foreign exchange rates over the medium term (3–12 months). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

For a 10% strengthening of the pound sterling against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	US dollar impact		Singapore dollar impact	
Group	**2018 £000**	**2017 £000**	**2018 £000**	**2017 £000**
Profit	270	201	28	52

	US dollar impact		Singapore dollar impact	
Company	**2018 £000**	**2017 £000**	**2018 £000**	**2017 £000**
Profit	253	104	–	–

In Management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk through the year.

Interest rate risk management

The Group is not currently exposed to interest rate risk because it does not have any external borrowings.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is primarily exposed to credit risk in respect of its cash and cash equivalents and trade receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group makes appropriate enquiries of the counter party and independent third parties to determine credit worthiness. Use of other publicly available financial information and the Group's own trading records is made to rate its banking counterparties and major customers. The Group's exposure and the credit worthiness of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties. Credit exposure is also controlled by counterparty limits that are reviewed and approved by Group management continuously.

The vast majority of the Group's cash and cash equivalents are invested either with systemic UK and global banks or UK banks with a Tier 1 Capital ratio significantly in excess of the current regulatory recommendation. Cash is invested in short-term deposits, breakable term deposits or notice accounts which allow for instant access to funds if necessary.

Trade receivables consist of a small number of customers, spread across various geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group enters into commercial biomarker projects with a number of customers, the majority of which are global pharmaceutical and biotechnology companies. Because the contracts in which the Group is involved tend to be invoiced by means of milestone payments covering a substantial portion of the whole project, this may distort the credit exposure profile at certain points during the financial period. Accordingly, for the year ended 30 September 2018 the proportion of revenue attributable to one customer was 61% (2017: 56%), but the Directors are of the view that this does not signify that there is more than a low to moderate risk in this respect, and this is borne out by the Company's history of having had no bad debts throughout the period covered by this report.

The carrying amount recorded for financial assets in the consolidated financial statements is stated net of impairment losses and represents the Group's maximum exposure to credit risk. No guarantees have been given in respect of third parties.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. To counter this risk, the Group operates with a high level of cash and no bank debt. In addition, it benefits from a substantial proportion of revenue paid in advance when entering into biomarker projects with customers.

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Group	Weighted average effective interest rate %	Less than 1 month £000	1–3 months £000	3 months to 1 year £000	1–5 years £000	5+ years £000	Total £000
30 September 2018							
Non-interest bearing		2,261	–	–	–	–	2,261
Variable interest rate instruments	0.92%	17,215	–	–	–	–	17,215
		19,476	–	–	–	–	19,476
30 September 2017							
Non-interest bearing		2,568	–	–	–	–	2,568
Variable interest rate instruments	0.88%	9,256	–	–	–	–	9,256
		11,824	–	–	–	–	11,824

Company	Weighted average effective interest rate %	Less than 1 month £000	1–3 months £000	3 months to 1 year £000	1–5 years £000	5+ years £000	Total £000
30 September 2018							
Non-interest bearing		1,946	–	–	–	–	1,946
Variable interest rate instruments	0.88%	17,085	–	–	–	–	17,085
		19,031	–	–	–	–	19,031
30 September 2017							
Non-interest bearing		2,076	–	–	–	–	2,076
Variable interest rate instruments	0.86%	9,139	–	–	–	–	9,139
		11,215	–	–	–	–	11,215

The maturity of non-derivative financial liabilities, comprising trade payables and other creditors, is less than three months for each of the two financial period ends.

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the relevant year-ends presented above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL INSTRUMENTS CONTINUED

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

31. EVENTS AFTER THE BALANCE SHEET DATE

After the year end, the Company exercised its pre-existing option to acquire, for a nominal amount, a 30% shareholding in Holos Life Sciences Pte Ltd ('Holos'), a Singapore-based company. Subsequently, the Company also participated in an interim fundraising by Holos, investing US$540,000 in that entity. Accordingly, Holos will be classed as an associate of the Group with effect from the date of the exercise of the option, on 5 October 2018.

32. RELATED PARTY TRANSACTIONS

Ultimate controlling party

There is no ultimate controlling party.

Subsidiaries

Balances and transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed.

Other related parties

During the year ended 30 September 2018, the Company had transactions with related parties as shown in the table below. In the opinion of the Directors, all of these transactions took place on terms equivalent to those that prevail in arm's length transactions.

			Amount paid / (received)	
Related party	**Nature of relationship**	**Reason for transactions**	**2018 £000**	**2017 £000**
Sibelius Limited	Common directors: Christian Hoyer Millar and Dr Alexandre Akoulitchev	Reimbursement of property occupation costs, services provided by OBD staff and lab supply purchases made by OBD on behalf of Sibelius	(48)	(130)
Chronos Therapeutics Limited	Common director: Christian Hoyer Millar	Reimbursement of property occupation costs and services provided by OBD staff	(59)	(67)
Tessera Investment Management Limited	Common director (prior year only): Katie Long	Transaction management support services and strategic advice	–	194
Mrs P M Hoyer Millar	Mrs Hoyer Millar is married to CEO, Christian Hoyer Millar	Part-time employment as an administrator	4	4
Balanced Kids Limited	Common director: Alison Kibble	Non-Executive Director fees for Alison Kibble	–	24

There were no amounts owing to these related parties at 30 September 2018 (2017: £nil). As at 30 September 2018, Sibelius Limited owed £1,000 (2017: £6,000) and Chronos Therapeutics Limited owed £4,000 (2017: 2,000) to OBD Plc. No amounts were overdue at 30 September 2018 (2017: £nil).

Key management compensation

The key management personnel are the Directors of the Company and the remuneration that they have received during the year is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2018 £000	2017 £000
Short-term employee benefits	740	603
Share-based payments	39	35
Pension contributions	34	25
	813	663
Aggregate emoluments of the highest paid director	369	301

As noted in the Remuneration Committee report on page 34, in order to align reporting of Executive Directors' remuneration with the Group's financial year, the annual bonus measurement period has this year been moved from the calendar year, as was previously the case, to the year ending 30 September in each year. This has resulted in the inclusion of two bonus payments in this year's Directors' remuneration report on page 36 and in the table above, being those awarded in respect of the 2017 calendar year and the nine months ended 30 September 2018.

Transactions involving key management personnel

No advances, credits or guarantees have been entered into with any of the Directors of the Company.

NOTICE OF ANNUAL GENERAL MEETING

OXFORD BIODYNAMICS PLC

(incorporated and registered in England and Wales under number 06227084)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about its content or as to what action you should take, you should consult your stockbroker, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or another appropriately authorised independent adviser if you are in a territory outside the United Kingdom.

If you have sold or transferred all your shares in Oxford BioDynamics plc, please pass this document to the purchaser or transferee or to the stockbroker or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

Notice is hereby given that the 2019 annual general meeting of Oxford BioDynamics plc (the 'Company') will be at The Linbury Room, Worcester College, Oxford, OX1 2HB on 14 March 2019 at 11.00 am, to consider and, if thought fit, to pass the following resolutions:

ORDINARY BUSINESS

1 To receive the financial statements and the reports of the Directors and the Auditor for the year ended 30 September 2018. (**Resolution 1**)

2 To re-appoint Grant Thornton UK LLP as Auditor of the Company. (**Resolution 2**)

3 To authorise the Directors to set the remuneration of the Auditor. (**Resolution 3**)

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, of which resolution 4 will be proposed as an ordinary resolution, and resolutions 5 and 6 will be proposed as special resolutions:

4 That the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the 'Act'), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:

(a) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £308,224 (being approximately 33.3% of the Company's issued share capital as at close of business on 7 December 2018) such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum; and

(b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £617,376 (being approximately 66.7% of the Company's issued share capital as at close of business on 7 December 2018), such amount to be reduced by any allotments or grants made under (a) above, in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorities to expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company in 2020 (save that the Company may before such expiry make any offer or enter into any agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired). (**Resolution 4**)

5 That, subject to the passing of resolution 4 above, the Directors be and are hereby empowered pursuant to section 570(1) of the Companies Act 2006 (the 'Act') to allot equity securities (as defined in section 560(1) of the Act) of the Company for cash pursuant to the authorisation conferred by that resolution as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities for cash:

(a) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under resolution 4(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(b) in the case of the authorisation granted under resolution 4(a) above, and otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £92,559.77 (being 10% of the Company's issued share capital as at close of business on 7 December 2018)

and this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company to be held in 2020 (save that the Company may, at any time before the expiry of such power, make any offer or enter into any agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power conferred hereby had not expired). (**Resolution 5**)

6 That the Company be and it is hereby generally authorised pursuant to section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the number of such ordinary shares hereby authorised to be purchased by the Company shall not exceed 9,255,977;

(b) the price that may be paid by the Company for any of its ordinary shares shall not be less than one pence, being the nominal value of each ordinary share, and shall not be greater than the higher of:

(i) 105% of the average trading price of the ordinary shares as derived from the middle market quotations for an ordinary share on the London Stock Exchange Daily Official List for the five trading days immediately preceding the date on which such share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, as stipulated by article 5(1) of the EU Buyback and Stabilisation Regulation 2003 (No. 2273/2003); and

(c) unless previously revoked, renewed, extended or varied, the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2020, provided that the Company may effect purchases following the expiry of such authority if such purchases are made pursuant to contracts for purchases of ordinary shares which are entered into by the Company on or prior to the expiry of such authority (**Resolution 6**).

Your Board believes that the resolutions to be proposed as ordinary and special business at the annual general meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, your Directors unanimously recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own beneficial holdings of shares in the Company.

By order of the Board

K Pozzoli
For Alder Demain & Akers Ltd
Company Secretary

10 January 2019

Registered Office: 26 Beaumont Street, Oxford OX1 2NP
Registered in England and Wales No 06227084

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES TO THE RESOLUTIONS

The notes on the following pages explain the resolutions proposed at the annual general meeting of Oxford BioDynamics Plc (the 'Company'), to be held at The Linbury Room, Worcester College, Oxford, OX1 2HB on 14 March 2019 at 11.00 am (the 'AGM').

In order to make it easier to vote on the resolutions proposed at the annual general meeting and to reduce the use of paper, hard copy forms of proxy have not been issued by default this year. Instead you may vote on the resolutions by logging into our registrars' website, www.signalshares.com. If you are not a registered user you will require your Investor Code (IVC), which can be found on your share certificate or obtained by telephoning the registrar, Link Asset Services, on 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Resolutions 1 to 4 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 5 and 6 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 1 – Adoption of Report and Accounts

For each financial year, the Directors are required to present the Directors' report, the audited accounts and the Auditor's report to shareholders at a general meeting. The financial statements and reports laid before the AGM are for the financial year ended 30 September 2018, and the Company proposes a resolution on its financial statements and reports.

Resolutions 2 and 3 – Re-appointment of auditor and auditor's remuneration

Resolutions 3 and 4 propose the re-appointment of Grant Thornton UK LLP as the Company's Auditor for the year ending 30 September 2019, and the authorisation of the Directors to agree the Auditor's remuneration. The Directors will delegate this authority to the Audit Committee.

Resolution 4 – Authority to allot shares

Your Directors may only allot shares or grant rights over shares if authorised to do so by shareholders. The authorities granted on 15 March 2018 are due to expire at the Company's annual general meeting in 2019 and therefore the authorities require renewal. This resolution, if passed, will continue to give the Directors flexibility to act in the best interests of shareholders, when the opportunity arises, by issuing new shares. Accordingly, resolution 4 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares (a) up to an aggregate nominal amount of £308,224 and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £617,376.

These amounts represent approximately 33.3% and approximately 66.7% respectively of the total issued ordinary share capital of the Company as at close of business on 7 December 2018, being the last practicable day prior to the publication of this notice. If given, these authorities will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company in 2020.

Your Directors have no present intention of issuing shares pursuant to this authority.

As at the date of this notice the Company holds no treasury shares.

Resolution 5 – Disapplication of pre-emption rights

Your Directors also require additional authority from shareholders to allot equity securities for cash and otherwise than to existing shareholders pro rata to their holdings. The authorities granted on 15 March 2018 are due to expire at the conclusion of the Company's annual general meeting in 2019 and therefore the authorities require renewal. Accordingly, resolution 5 will be proposed as a special resolution to grant such an authority. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the allotment of equity securities for cash up to an aggregate nominal value of £92,559.77 (being 10% of the Company's issued ordinary share capital as at close of business on 7 December 2018, being the last practicable day prior to the publication of this notice). If given, this authority will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company in 2020.

Resolution 6 – Authority to purchase shares (market purchases)

This resolution, which will be proposed as a special resolution, renews the authority granted at the annual general meeting held on 15 March 2018 which expires on the date of the forthcoming AGM. The resolution authorises the Company to make market purchases of its own ordinary shares as permitted by the Act. The authority limits the number of shares that could be purchased to a maximum of 9,255,977 (representing no more than 10% of the issued share capital of the Company as at 7 December 2018 (being the latest practicable date prior to the publication of this Notice of AGM)) and sets minimum and maximum prices. If given, this authority will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company in 2020.

Under the authority sought by this resolution, the Company may purchase its ordinary shares following the date on which the authority expires if such purchases are made pursuant to contracts entered into by the Company on or prior to the date on which the authority expires.

Your Directors are of the opinion that it would be advantageous for the Company to have the flexibility to purchase its own shares should such action be deemed appropriate by the Board. The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price, future investment opportunities and the overall position of the Company. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. Shares purchased would either be cancelled and the number of shares in issue reduced accordingly or held as treasury shares.

PROCEDURAL AND EXPLANATORY NOTES

Entitlement to attend and vote

1 The right to attend and vote at the AGM is determined by reference to the Company's register of members. Only a member entered in the register of members as at close of business on 12 March 2019 (or, if the AGM is adjourned, in the register of members as at the close of business on the date which is two business days before the time of the adjourned AGM) is entitled to attend and vote at the AGM and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to the entries in the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

2 You may vote either:

(a) by logging on to www.signalshares.com and following the instructions.

(b) by requesting a hard copy form of proxy directly from the registrars, Link Asset Services, by telephoning 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

(c) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

Proxies

3 (a) As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM. You can only appoint a proxy using the procedures set out in these notes.

(b) Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

(c) A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

(d) You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share.

(e) If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box provided the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. If you submit more than one completed valid proxy, the proxy received last before the latest time for receipt of proxies will take precedence.

(f) To appoint more than one proxy, you may photocopy the proxy form. Please indicate in the box on the form the number of shares in relation to which they are authorised to act as your proxy. Please also indicate with an 'X' in the place provided on the proxy form if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

PROCEDURAL AND EXPLANATORY NOTES CONTINUED

Proxies continued

(g) To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant 'Vote withheld' box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you mark with an 'X' 'discretion', or if no voting indication is given, your proxy will vote or abstain from voting as he or she sees fit.

(h) In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company stating their capacity (eg Director, secretary).

(i) Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.

(j) CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent Link Asset Services, whose CREST participant ID is RA10, by 11.00 am on 12 March 2019.

(k) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

(l) If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

(m) Save through CREST, we do not have a facility to receive proxy forms electronically. Therefore, you may not use any electronic address referred to in the proxy form or any related document to submit your proxy form.

(n) In each case, whether through CREST or using a hard copy form of proxy, the appointment of a proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 11 am on 12 March 2019. Hard copy proxy forms should not be sent to the Company's registered office.

(o) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company as at close of business on 12 March 2019 or, in the event that this meeting is adjourned, on the register of members as at close of business on the day two days before the date of any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after close of business on 12 March 2019, or in the event that this meeting is adjourned, in the register of members after close of business on the day two days before the date of the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Corporate representatives

4 A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, though there are restrictions on more than one such representative exercising powers in relation to the same shares.

Nominated persons

5 Any person to whom this Notice is sent as a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

6 The statement of the rights of members in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by members of the Company.

Issued share capital and total voting rights

7 As at close of business on 10 January 2019, being the last practicable day prior to the publication of this Notice, the Company's issued share capital comprised 92,559,771 ordinary shares of one pence. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this Notice is 92,559,771.

Members' requests under section 527 of the Act

8 Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to: (i) the audit of the Company's Accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the last AGM. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Members' rights to ask questions

9 Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

Inspection of documents

10 Copies of the Executive Directors' service contracts and the letters of appointment of the Non-Executive Directors will be available for inspection at the office of the Company during normal business hours until the date of the AGM, and at the place of the AGM from 15 minutes before the AGM until it ends.

Security

11 Security measures will be in place to ensure your safety at the AGM. Please do not bring suitcases, large bags or rucksacks. If you do, we may ask you to leave the item in the cloakroom. Recording equipment, cameras and other items that might interfere with the good order of the meeting will not be permitted. Mobile phones must be turned off or on silent during the meeting. Please also note that those attending the AGM will not be permitted to hand out leaflets in the venue.

Website

12 A copy of this Notice, and other information required by section 311A of the Act, can be found at the Company's website, www.oxfordbiodynamics.com.

Voting results

13 The results of the voting at the AGM will be announced through a regulatory information service and will appear on the Company's website, www.oxfordbiodynamics.com, as soon as reasonably practicable.

DEFINITIONS AND GLOSSARY

DEFINITIONS

The following definitions apply throughout this Annual Report and Accounts, unless the context requires otherwise:

'Admission'	the admission of the Company's ordinary shares to trading on AIM on 6 December 2016
'AIM'	the market of that name operated by the London Stock Exchange
'Innovate UK'	an executive non-departmental public body, sponsored by the UK Government's Department for Business, Energy and Industrial Strategy
'IPO'	Initial Public Offering
'QCA Code'	the QCA Corporate Governance Code for Small and Mid-Sized Quoted Companies, including AIM companies, as amended from time to time
'Placing'	the placing of the Placing Shares with investors at the Placing Price pursuant to the Placing Agreement dated 1 December 2016, further details of which are set out in paragraph 15.6 (Placing Agreement) of Part 7 (Additional Information) of the Admission Document, which can be downloaded from the Company's website at www.oxfordbiodynamics.com
'Placing Price'	the price of 158 pence per Placing Share
'Placing Shares'	new ordinary shares allotted and issued by the Company, and the ordinary shares sold by certain shareholders in conjunction with the Placing

GLOSSARY

Amyotrophic lateral sclerosis (‘ALS’)	rapidly progressive neurological disease attacking the nerve cells controlling voluntary muscle movement
Autoimmune	a pathological immune response against the body’s own healthy tissue and cells
Biomarker	short for ‘biological marker’, a naturally occurring molecule, gene or characteristic which provides a measurable indicator or identification of a particular biological state or condition
Companion diagnostic	a diagnostic test using a device to determine if a therapeutic product will benefit the patient and outweigh the risks of its use
Diagnostics	the process of detection and identification of a disease
***EpiSwitch*™**	the Company’s proprietary biomarker technology platform
Immuno-oncology	a type of immunotherapy used to treat cancer
Immunotherapy	a type of treatment to stimulate the body’s immune response
Neurodegenerative	damage to the nervous system, particularly in the brain
Oncology	the study and treatment of tumours and cancer
Patient cohorts	groups of patients subjected to stratification analysis
Personalised medicine	medical procedure that separates patients into different groups and treats them accordingly, based on their predicted response and prognostic risk of disease
Prognostic	an indicator of the future course of a disease
R&D	research and development
Rheumatoid arthritis	a long-term, progressive condition causing pain, stiffness and swelling in the joints, particularly the hands and feet
Stratification	the process or result of separating a patient cohort into subgroups according to specified criteria, such as age, disease profile or response to therapeutic treatment
Therapeutic	the treatment of disease by the action of remedial agents
Therapeutics	treatments, drugs or therapies used to treat disease

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C G Hoyer Millar
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P L Stockdale
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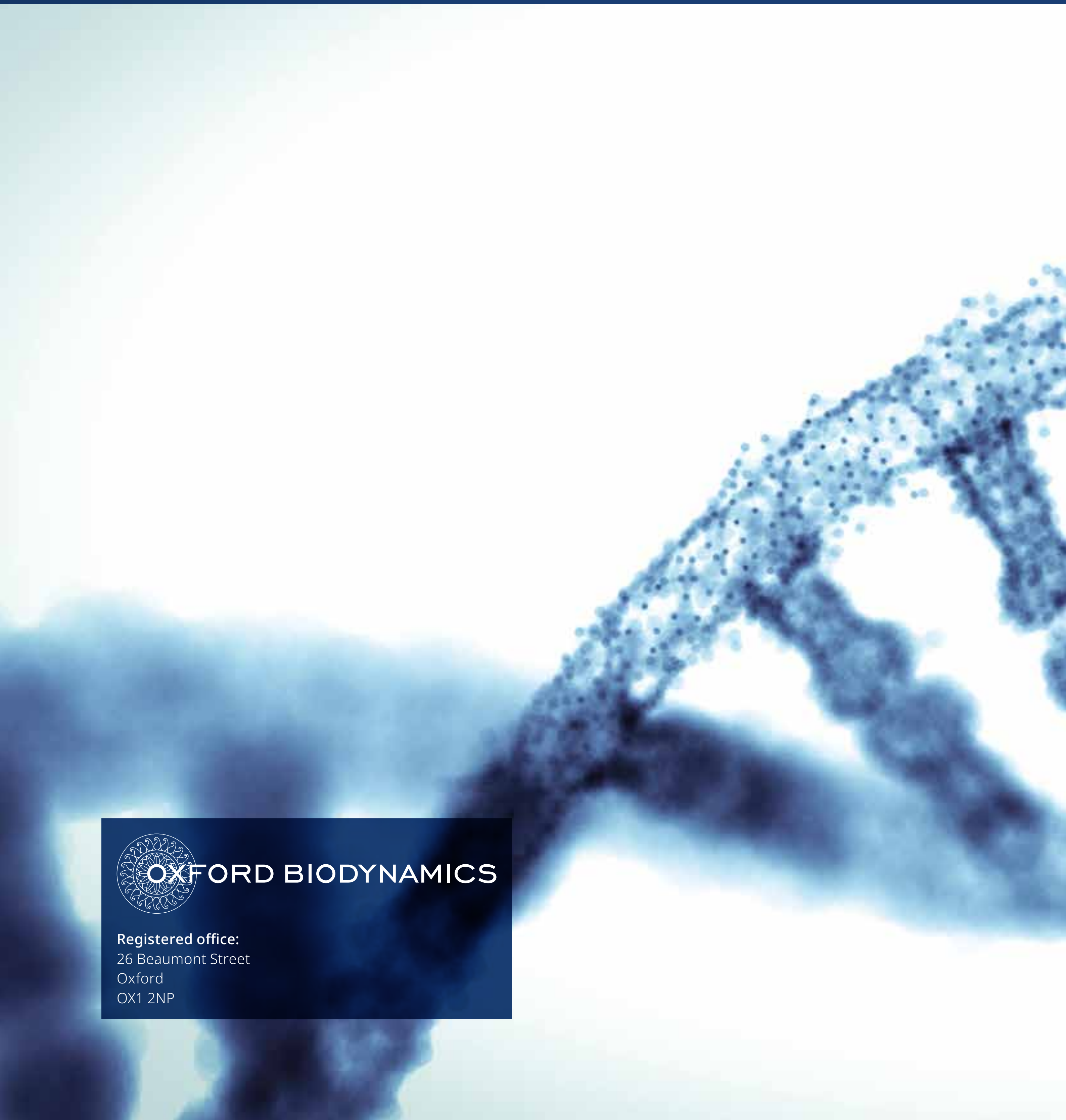

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